

THE TIMES

Spain: Franco must take the blame for growing violence, p 16

Two British climbers scale Everest by south-west face

first Britons to reach the summit of Everest—Dougal Haston and Doug Scott of Edinburgh—are also the first to do so by the difficult route up the south-west face which defeated five previous expeditions. They completed the climb, regarded as the last great challenge of mountaineering, on Wednesday.

Team takes hard way to the top

British mountaineers reached the summit of the world's highest mountain, 29,028 ft, by the south-west face, a route up the south-west face which defeated five previous expeditions. They completed the climb, regarded as the last great challenge of mountaineering, on Wednesday.

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the top: The dotted line on the right shows the route of unsuccessful Everest attempts in 1921 and 1972. The solid line on the left shows the route of the new ascent. Top right, Doug Scott.

Mrs Thatcher feels she has won international acceptance

From Fred Emery
Toronto, Sept. 25

Mrs Margaret Thatcher, Leader of the Opposition, returned to London tomorrow morning believing that her two-week North American tour has made her "totally established as a political force in the international sphere".

In an interview here with me she said she had been received by leaders in the United States and Canada not merely as the opposition but as a serious contender for the Prime Ministership.

she should be taken into account now. Considering that America was the most powerful country in the world, such acceptance was of first importance.

Mrs Thatcher said: "The very thing I was said to be weak in—international affairs—I've now proved I'm not. She said that her journey had been "one of the most successful tours that any British politician has made for a long time". It gave her as party leader a stronger basis from which to go forward, and the Conservative Party

"much more faith and confidence". She added: "Without it you're lost."

She looked forward to the Conservative Party conference, saying: "I am well aware that it is a testing time."

Mrs Thatcher's confident response was to the question what she thought she had accomplished here. She implicitly confirmed that striving for such stature in other countries' eyes, as well as her own, was perhaps the main point of her coming here; that she had to prove to

Report puts schools' charity status at risk

By Clifford Longley

Charities should have to show that they exist for the benefit of the community before they can enjoy the advantages of charitable status, a House of Commons committee suggests in a report published yesterday. Once registered, however, the committee considers that schools should be allowed greater freedom to engage in political activity which under the present law is severely curtailed.

The House of Commons Education Committee is critical of the Charity Commissioners. They have "failed to put themselves across to those concerned with charitable and other voluntary activities as an effective instrument for the promotion of charitable resources" and "failed to convey to us any impression of dynamism (as opposed to dedication), imagination, innovation, or management efficiency".

The new Chief Charity Commissioner should be sought outside the Civil Service from which he traditionally came, the committee says.

As expected, the report proposes a new definition of a charity, a body engaged in the promotion of "beneficial" purposes, which would remove charitable status from schools catering for only richer people, mainly public schools. Many such schools were founded to make education available to the poor, but as time went on they became self-perpetuating and lost their original purpose.

"We believe that our recommendation to make a test of public benefit the overriding consideration with that of education accords both with the spirit in which many of our

Opec faces split in oil price dispute

From Roger Viole
Energy Correspondent
Vienna, Sept. 25

The Organization of Petroleum Exporting Countries (Opec) was tonight facing a serious split after failing to agree on a new oil price structure during a five-hour meeting in Vienna today.

An hour before the meeting ended, Saudi Arabia's Zaki Yamani, the Saudi Arabide Oil Minister, said that Saudi Arabia was not prepared for a large-scale compromise and that if Opec could not agree to a rise of under 10 per cent there would be no agreement.

Opec sources said last night that it was too early to forecast that the conference was running into serious difficulties. However, if delegates failed to produce a new pricing structure tomorrow, the unity of the organization will be severely tested.

On a previous occasion Saudi Arabia declined to implement a small increase in royalties that in effect raised the price of Opec oil. But ignoring a general price rise would be a more serious matter as Saudi oil would become substantially cheaper than other Gulf crudes. There is no suggestion that the Saudis would use lower prices to increase their production.

Most of the ministers declined to comment on the way a compromise might be reached. Dr Hernandez Acosta, the Venezuelan Oil Minister, said he had good news and indicated that prices would go up by between 7 and 8 per cent.

North Sea pessimism and costs of dearer oil, page 31

Pilots die as four Starfighters hit hillside

From Dan van der Vat
Bonn, Sept. 25

An entire flight of four Starfighters of the Italian Air Force crashed into a hillside in the Eifel mountain region of West Germany today, killing all four pilots.

The aircraft left a row of four craters reflecting the formation in which they had taken up a few moments before, and wreckage was scattered over the area.

The flight had left an airfield near Bruchsal this morning for a routine training flight over several Western European countries. The aircraft stopped at the American air base at Bitburg, Rhineland-Palatinate, the hour later, in retreat and the crash occurred minutes after take-off from there. In June, 1962, a flight of four West German Starfighters crashed simultaneously at Frechen, near Cologne, while in formation.

There was no immediate indication of the cause of today's crash but a joint investigation was launched by the West German and Italian Air Forces. Sabotage has not yet been ruled out, but pilot error is regarded as more likely.

Italy has lost about 50 Starfighters, which cost about £1m each, out of a total of 330 such aircraft bought in the 1960s.

West Germany, which bought about 900, has lost 173 in crashes, more than 100 pilots have been killed. Now the West German Navy has 72 and the Air Force about 430 of the aircraft, which are to be phased out over the next few years.

Our Defence Correspondent writes: The history of the Starfighter has been a success story which even its disastrous introduction into the West German Air Force has not entirely diminished. Although the loss of 173 aircraft in Germany earned it the title of "Widow-maker", its record still shows a total of more than 2,500 sold by Lockheed or built under licence in foreign countries. More than 1,200 serve with European air forces.

Its speed of 1,450 mph at 40,000ft, its manoeuvrability and its relatively low cost make it the current choice of nine NATO nations: West Germany, Italy, Canada, Belgium, Denmark, Holland, Norway, Turkey and Greece, with a total of 49 squadrons, fulfilling a variety of roles including those of interceptor, fighter-bomber or reconnaissance aircraft.

Any new aircraft entering service, especially one with the high performance of the Starfighter, creates problems for air forces

Labour Party document criticizes Land Bill

By George Clark
Political Correspondent

Although the Conservatives are blamed for their "botched job" on recent local government reform, the Labour Party statement on regional devolution, in England, published yesterday, is also highly critical of the Community Land Bill now before Parliament.

It says that the outcome of the Tory reorganization is that the county planning authorities are still too small in most areas, with boundaries which perpetuate the administrative divisions between town and country, and thereby prevent comprehensive planning of areas relating to land use, transport and other public and private investment problems.

"This flaw at the heart of the new structure will assume the most acute importance in the new circumstances of the Community Land Bill," the statement continues. "The Bill is intended to transform the ability of local authorities to secure proper balance between competing uses for land, and by their own initiative positively to promote the development of land within their areas in the best interest of the whole community rather than as a compromise with the dictates of private financial pressures."

"But the new county boundaries are so circumscribed in most cases as to prevent the full exploitation of the opportunities presented by the Community Land Bill—local government was consulted by the joint committee of Labour local government and town and country planning specialists, presided over by Mr John Cartwright, MP for

Greenwich, Woolwich East, who compiled the report.

The implication is that to make the Labour Government's Community Land Bill effective, a wide-ranging reform of the local government structure will be necessary. The Labour statement will add force to the criticisms that have been voiced in Parliament by Conservative MPs about the likely effect of the Bill. There is also an admission in the Labour assessment of future reform that no Bill affecting local government structure could be introduced in the next few years.

In fact it says: "Perhaps the overriding priority should be to allow the dust to settle on local government reorganization by declaring a 10-year moratorium on serious changes in the new local government structure."

Regional proposals, page 2

Mr Lever rejects import controls

By Malcolm Brown

Import controls could push us back to the economic stagnation and unemployment of the thirties, Mr Harold Lever, Chancellor of the Duchy of Lancaster, said yesterday.

"At a time when unemployment is very high by post-war standards I understand very well why it is being suggested that we should restrict imports from third countries."

Import restrictions on a scale that would have an immediate effect on unemployment would quickly be followed by retaliation which would probably be more permanent and wider in scope, he told a meeting of the European League for Economic Cooperation, in London. It would soon more than offset any good effect that the original restrictions might have had on jobs.

"But in addition, and more important, we shall find ourselves drawn into an economic race which will bring us back to the disastrous unemployment and economic stagnation of the 1930s."

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In Socialist denies CIA aid

Sept. 25.—Dr Mario Soares, Portuguese Socialist leader, denied a press report that his party had been millions of dollars in the American Central Intelligence Agency (CIA).

Interview with the state-run television "Sources" now deny the suggestion. "I am asked to comment on The New York Times report that the CIA was millions of dollars to the Socialist Party," he said.

He said the party had never received aid from the CIA. "I never less so from the States. That is," he said.

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Israel-Russian meeting in New York

Mr Andrei Gromyko, the Soviet Foreign Minister, met for three hours on Sept. 25 with Mr Yigal Alon, the Israeli Foreign Minister. The meeting, which so far has been unreported by the Soviet press and radio, is the first contact between senior ministers of the two countries for several years, and there was speculation that it could be a first step towards resumption of diplomatic relations. Page 8

2,000 at farm rally

More than 2,000 farmers took part in a rally in Central Hall, Westminster, yesterday, in support of higher prices and parity with the rest of the EEC. Sir Henry Plumb, president of the National Farmers' Union, spoke of the decline of the industry. Page 3

Glove print method perfected by Yard

A method of detecting and identifying prints left by criminals wearing gloves has been perfected by Scotland Yard detectives led by Commander Gerald Lamborne, head of the Yard's fingerprint department. The method is claimed to be almost as reliable as the fingerprint system. Page 2

Opera aid stopped: The Government has withdrawn its grant for half the cost of the Edinburgh Opera House project. Page 2

Pay beds: New warning to government that abolition plan will lead to confrontation with doctors and dentists. Page 2

Student challenge: The arrival of hundreds of Rhodesian students without grants is a deliberate challenge to the Government, their leaders say. Page 4

Children in prison: The practice of remanding children accused of offences to adult prisons must stop immediately, a Commons committee demanded. Page 6

Luxembourg: Concessions made by European Commission to West Germany may help to resolve Franco-Italian "wine war". Page 6

Rhodesia: Mr Smith criticized by chairman of ruling party for remarks that the country could one day have a black prime minister. Page 8

Republic of Korea: Eight-page Special Report discusses the economy and how it is coping with the world recession. Page 7

Botany: The Plant Varieties and Seeds Tribunal sat for only the second time yesterday, to settle arguments about rye grass. Page 19

Denial by Sinn Fein

Mr Rory O'Brady, president of Provisional Sinn Fein, denied yesterday that the Provisional IRA would immediately begin hostilities if the Ulster Convention collapsed and Britain resumed direct rule. But he said the British had broken the "truce" with harassment and intimidation. Page 3

Letters: On Burmah Oil from Mr J. M. Rankin, QC, and others; on emergency dental treatment from Dr E. D. Kwock and Dr Brendan James. Page 17

Leading articles: Charities; The speech by Dr Luns. Page 15 and 16

David Barnett spells out the decisions that must be taken by the Government in response to the TUC's acceptance of the 15 limit; Bernard Levin goes back to Bach; Bevis Hillier, on the more acceptable face of Bulgaria. Page 10

David Robinson on new films in London; Charles Lewsey on Comedians (Old Vic); Lord Berthoud on Veronika at Wigmore Hall; concert notices by Paul Griffiths and Keith Horner. Page 12-13

Golf: Double Diamond international tournament; Racing: Ascot meeting; Squash: Play for sponsorship; Football: Macdonald feature. Page 20-25

Business News: Early gains in equities melted away after unfavourable report from the Opec meeting. The FT index shed 0.5 to 340.5 (after 346.9). Page 26

Financial Editor: Worse than Delta expected: What went wrong at Ozalid; Hamburg gets the best type of shareholder. Page 27

Business features: The threat to transatlantic trade posed by subsidies, as a result of provisions in the United States Trade Act, is examined by Mervyn Westlake. Page 28

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29 in court on £44,000 fraud charges

Twenty-nine men appeared in court today on charges of fraud offences totalling £44,000.

Mr Michael Davis, for the prosecution, said detectives investigating car hire-purchase frauds held 47 people in raids spread over 36 hours in Hampshire, Dorset and Wiltshire. Some had been freed on bail by police, he said.

"It is impossible to save the total sum involved but quite obviously it will be in the hundreds of thousands of pounds," he told magistrates.

The charges range from dishonestly obtaining cheques and money to the theft of cars. After the two-hour court hearing all but three of the men were freed on bail.

Explosives: six are arrested

Four men, aged between 20 and 30, a young woman and an elderly woman were arrested in Glasgow yesterday in connection with inquiries into alleged explosive offences. The matter is not connected with the recent bomb incidents in Scotland.

Mr James Binnie, Assistant Chief Constable (Crime) of the Strathclyde force, said last night that the arrests were made during raids on houses and business premises in the east end of the city. The charges related to alleged offences in Glasgow.

Russia is accused

Russia was criticised yesterday by Dr Joseph Luns, Nato Secretary-General, for failing to live up to its obligations under the Helsinki pact on European security and cooperation. He accused it of continuing to restrict human rights of people in its own country. Page 6

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HOME NEWS

Labour Party researchers outline three plans for English regional devolution

By Christopher Warman

A scheme to establish five large regions for a devolved form of government in England is envisaged in a document published by the Labour Party yesterday.

It is one of three possible regional set-ups discussed in the document, which was prepared by the party's research department. The others would be for eight regions, following the lines of the present economic planning regions, or 12-15 regions.

The paper is not an official statement of Labour policy, and for that reason does not make a firm commitment for or against regional government. It has been published in anticipation of the Government's White Paper on the Scottish and Welsh assemblies, expected in November, and will provide the basis for consultations within the Labour Party.

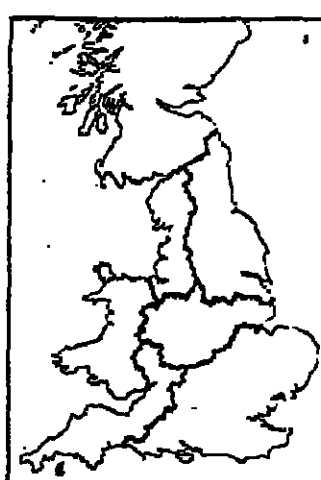
The paper takes as its basis the "strong presumption" established in the Redcliffe-Maud report on local government, 1969, and the Kilbrandon report on the constitution, 1973, in favour of elected regional authorities in England assuming many of the powers government and responsibilities of central

Refusing to commit itself, the paper concludes that regional authorities "may represent a more democratic, more effective way of managing our public affairs, and therefore demand our attention".

It puts forward the argument that if more government decisions are allowed to be made by elected regional authorities, "we could at one and the same time give ordinary people more say in what goes on in their region, and make government, local and national, more effective".

Referring to the existing regional authorities, non-elected, the paper says: "This hotch-potch of ad hoc bodies and differing regional structures renders coordination between different sets of policies a superhuman task". There are, for example, nine water authorities, 14 health authorities, eight economic planning councils, while the Ministry of Agriculture and the Department of Employment each divide England into seven regions, but not the same seven.

The paper criticizes the new two-tier system of local government, and says that proposals of regional government have concluded that England has



Five regional divisions of England envisaged in one of three Labour Party studies.

been left high and dry with a local government structure that is "incapable of discharging functions for which it has formal responsibility, with profound implications for planning and development in the countryside and areas of population growth".

The paper adds: "Regional authorities may be better equipped to cater for the task than our

current local government machine".

Putting the case against regional government, the paper says that the situation in England differs from that in Scotland and Wales notably in terms of popular demand. It quotes an attitude survey carried out for the Kilbrandon commission, showing a markedly lower proportion of people in England interested in the regional concept.

Another criticism of devolution to the regions is that "sheer physical remoteness from their regional capital might put a severe limit on effective representation of local communities in outlying areas".

In addition, now that Britain is a member of the EEC, the paper suggests that another tier of government in the form of regional authorities in England might make England "absurdly over-governed, with five tiers of administration: Brussels, Whitehall, region, county and district".

The paper, *Devolution and regional government in England*, says that if the Labour Party comes down in favour of regional government, there is no prospect of legislation providing for it during the present Parliament.

Government withdraw opera house grant

From Ronald Faux

The Government has withdrawn further financial support for the Edinburgh Opera House project because of the economic situation. The decision was disclosed yesterday shortly before the Edinburgh District Council was to meet to discuss the future of the ill-fated 15-year-old scheme.

The decision was given by a telephone call to an official on the council about four hours before the meeting was to start, was criticized as "discourteous" by Mr John Miller, Lord Provost of Edinburgh.

Mr Miller said he was "astonished and dumbfounded" when the chief executive of the council appeared in his room to say there had been a telephone call from an officer in the Scottish Education Department saying that while the Government was prepared to honour its grant towards the opera house, it was not prepared to give any further commitment.

The council debate was postponed.

A statement from the Scottish Education Department said that the telephone call had been made to give the council as much warning as possible. The Government was prepared to pay half the costs incurred in the theatre project to the extent of the "scheme design stage", which it had now reached. No further grant would be payable at present. The decision had been taken because of the economic situation.

Mr Peter Diamond, artistic director of the Edinburgh International Festival, described the decision as an "absolute disaster for Edinburgh, for Scotland and for the Edinburgh Festival".

It seems unlikely that the council will press ahead with the project without the grant.

New warning of confrontation with doctors over plan to end pay beds

By Our Medical Reporter

Seven royal colleges and three faculties of medicine, whose main purpose is to safeguard the best of medical standards, have joined in the medical profession's condemnation of the Government's proposals to separate private medicine from the National Health Service.

The document containing the considered views of doctors and organizations concerned with private medical care, says that the proposals are "unjustified, undesirable and would result in profound damage to the community, the NHS and the professions".

There are, it understands, no plans for talks with doctors' representatives. The consultative document in which the proposals are contained is regarded by the Government not as a green paper for general consideration, but as a document of intent.

The conclusion of the profession's document is that it is a last attempt to proceed to reasoned argument to convince the Government that its intentions are wrong. The profession and the professional associations concerned are willing, it says, to enter into discussions only if there are no pre-conditions.

It contends that the content and manner in which the issues have been presented by the Government are calculated to lead to confrontation with the medical and dental professions. The Government's attitude, on matters of important principle, seemed to be inflexible.

The document concludes by urging the Government not to press the matter to further consideration. In the view of the profession, the proposals constituted a breach of faith with the public and the profession. It was a step towards the ultimate dispossession of doctors' freedom of choice and thereby of the public.

The existence of a private sector serves to keep in the health service some of the best qualified and most skilled specialists who found the greatest fulfilment in a mixed practice. The freedom to choose a part-time appointment was a potent factor in NHS recruitment.

The document says that long waiting lists for hospital admission are the result of chronic under-financing of the NHS and will not be reduced by the abolition of pay beds.

The dangers of separation were that consultants would leave the NHS because they preferred to concentrate on private practice, the loss of £40m income from pay beds, waste of travelling time by doctors, loss of availability in emergencies if doctors worked in two locations, and damage to morale.

Criminals traced by glove prints

By Clive Borrell

Scotland Yard detectives have perfected a method of detecting and identifying prints left by criminals wearing gloves at the scene of a crime.

Their technique has proved almost as successful and reliable as fingerprints, according to Commander Gerald Lambourne, head of the 350-strong fingerprint department at Scotland Yard.

What can be said is reproduced in the current issue of the *Police Journal* under the headline "Exclusive".

In a 27-page report, Commander Lambourne says: "From the constant handling of objects such as door knobs, banisters, shop doors, rails on buses on which people have gripped, a layer of this grease is sometimes deposited in much the same way as an unprinted finger will leave a fingerprint."

Even during the putting on and the removal of a glove, a layer of perspiration is placed on the glove. Consequently, when a glove comes into contact with a smooth, hard surface, a layer of this grease is sometimes deposited in much the same way as an unprinted finger will leave a fingerprint.

As with fingerprints, the grease deposit from the glove can be made visible by skillful application of a fingerprint search powder. The layer of grease left by the glove is, by its mere nature, not as strong and dense as fingerprints but nevertheless is detectable, recoverable and in certain cases can be as reliable as a fingerprint when it comes to identification.

"Each glove", the commander claims, "can be individualized in many ways. The material it was made from; the way it was made; the stitching, hand-stitched, knitted, moulded; the embossing; the perforations; the contours and creases formed when worn constantly; the accidental damage caused by the wearer, in cuts, abrasions and burns; some or all of the data can be revealed in a glove impression left at the scene of a crime."

Tests he has carried out show that in leather gloves there is no reason to doubt that the grain of the leather is as individual as the ridges on fingerprints are to man.

Rubber and plastic gloves, although often made from a mould frequently show traces of air bubbles, tears or some slight imperfections which make them different in some slight way. Even gloves made from material can be identified from the twist of a length of yarn which under microscopic examination gives a unique pattern of fibres.

Commander Lambourne's discovery, probably one of the most important forensic breakthroughs the Yard has had for many years, has proved a major advance in detecting and investigating robberies, and break-ins.

The fingerprint department, which can now also take clear prints of marks left inside gloves found at the scene of a crime, has become one of the busiest at the Yard.

Surrey man denied Welsh job

From Trevor Fishlock

A controversy over the appointment of a man who cannot speak Welsh as senior officer in one of the social services departments of Gwynedd County Council, north Wales, ended yesterday with his resignation.

When his appointment was announced earlier this month, every member of the department signed a letter of protest, saying that the council had ignored its declared policy of language restoration.

The man appointed, a health service officer in Surrey, said in his application for the post that he was willing to learn Welsh.

Mr Dafydd Wigley, Plaid Cymru MP for Caernarfon, wrote to the council saying that since so many of the local people were more at home in Welsh than in English, a knowledge of Welsh should be a requirement of the job.

Army denies legal aid restriction

By David Leigh

The Army is restricting the right of soldiers, court-martialled for offences as serious as desertion, to get legal aid to pay for civilian lawyers. An allegation was made yesterday by *Peace News* that a classified circular exists telling commanding officers that requests for legal aid in certain cases should normally be refused "in the interests of justice".

Legal sources confirmed the existence of such a document. One said: "The circular says it is not in the interests of justice that a soldier should be granted legal aid at a district court martial. He should be represented by a regimental officer."

The Army said yesterday that no recent directive had been issued which changed existing practice in any way. Legal aid was available in serious and complex cases.

In more minor disciplinary cases, applications would be forwarded to the Army Legal Service. "There are simple cases where no questions of law are involved, where it is unlikely legal aid would be granted", the spokesman added.

"Every case is judged on its own merits. We always give the accused the benefit of the doubt." There was no question of restricting the availability of criminal legal aid, the rules for which were detailed in Queen's Regulations.

Mr Nigel Neville-Jones, a civilian lawyer who represented a soldier at a recent court-martial, said yesterday: "I think there is cause for concern over this question. He defended a soldier, Leslie Merry, who was charged with desertion. The soldier, court-martialled at Bovingdon, Dorset, last week, had been assigned a defending officer, Mr Neville-Jones said. The soldier had been told he had no defence, and the commanding officer had at first recommended the accused should not be granted legal aid. By the time of the hearing, there had been no decision from the director of the Army Legal

Service on whether to allow legal aid. But after submissions from the civilian lawyer at the hearing that there were defects in the evidence, the desertion charge was dropped. Mr Merry was sentenced to 56 days imprisonment, subject to confirmation, on a lesser charge of being absent without leave, to which he pleaded guilty.

Legal aid was ultimately granted for the case. The Army takes the view that in disciplinary matters, soldiers may be better off being defended by an officer from their own unit, rather than by outside lawyers.

The Army says soldiers have the right to choose their own defending officer. "Pacifist groups concerned with soldiers' rights claim that in practice, soldiers charged with offences are rarely aware of this right."

Mr William Nash, legal officer of the National Council for Civil Liberties, said yesterday: "Given the level of sentences imposed by district court-martials, I think it is quite wrong there should not be an advocate to present a case."

Defence of scholarship

A. E. Housman's inaugural lecture at London University in 1932 has been described as perhaps the best defence of scholarship ever written. An extract is published this week in *The Times Higher Education Supplement*. There are also discussions of biosocial anthropology and the new mathematical concept of catastrophe.

Charity rule plan would exclude public schools

Continued from page 1

His committee had urged that the notion of a charity should be replaced by that of a non-profit distributing organization, but the House of Commons committee considered that would be too open to abuse and too difficult to supervise. Mr Pollock welcomed the remainder of the report, however. The expenditure committee said many witnesses had expressed strong feelings about the present limitations on political activity as interpreted by the Charity Commissioners. The committee sympathized, saying it was almost impossible to pursue a charitable objective without becoming politically involved when the Government was concerned in all spheres of human activity. It could not see why charity should be allowed, but the drafting of a Bill was not.

The committee also recommends that the hands of local authorities should be strengthened in their efforts to combine or close charities as part of schemes of rationalization. The present powers, following them to produce rationalization schemes but not giving them the power to enforce their decisions, are inadequate, the committee says.

The committee questions whether it is right that charities should be able to avoid certain fringe religious groups which appear to engage in something akin to brainwashing of their adherents.

It suggests that the Charity Commissioners should have a task force which would be empowered to investigate the affairs of charitable trusts under suspicion. The force could also speed the process of amalgamating small or obsolete charities. It would be financed by a small annual registration fee to be paid by all charities.

The report says that the present inability of the Charity Commissioners is inadequate and the Home Secretary should be willing to answer MPs' questions in the House of Commons about their work. The Home Secretary should also have the power to make minor

amendments to the law by orders and statutory instruments.

The Charity Commissioners' own procedures are too slow, the committee considers and it suggests that a computer could be used with advantage to cross-reference about the 115,000 registered charitable bodies and their accounts.

New charities should be admitted to the register for a probationary period of five years and at the end of that time they should be obliged to show what they had achieved. The report of the Expenditure Committee, *Charity: Commissioners and their Accountability* (House of Commons Paper 95-1; Stationery Office, 60p).

Our Education Correspondent writes: Lord Selkirk, chairman of the Independent Schools' Joint Committee, said yesterday: "It would be a distinct step backwards for education in this country if the report were to call into question the ability of individual schools, colleges, and trusts to continue their work."

Members of the Headmasters' Conference meeting in Manchester, said that schools such as Eton and Winchester, which had the biggest endowments would be worst affected.

Schools would lose half their income, said Mr Michael McCrum, Head Master at Eton, said: "They would have a terrible time trying to legislate what the benefit to the whole community involves."

Mr Frank Fisher, of Wellington, said: "There must be thousands of educational charities which are not schools and which do not serve the whole community. What would the committee propose to do about these?"

Cause from industry - Manchester Grammar School has received promises of support from industry to enable it to continue to educate some poor children if the direct grant is withdrawn by the Government in September, next year.

Leading article, page 17

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Leading article, page 17



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...ON ECONOMY. Ask any Dodge K38 operator Robin Earith, owner-driver says "On my Ticehurst to Auchterarder run (500 miles) I go at 55 MPH all the way, hills included and I get 9.6 miles to the gallon. I've got the tach sheets to prove it!"

Cripps of Nottingham who operate two Dodge K38, usually at full 32 tons GCW, report 8.4 to 9 MPG. They do Nottingham-Southampton and return on single tank of fuel.

...ON POWER. The power-weight ratio of around 8.5 BHP per ton at 32 tons GCW is better than most. "We're more concerned with saving time, and the current vehicles save up to 1½ hours on journeys," says Mr Farncombe of Chapman's

Transport Ltd. "On the A74 just before Crawford there's a slow drag for 4½ miles up to 1,300 feet above sea level. I can take 20 tons up there in overdrive," says Robin Earith.

...ON PAYLOAD. Really competitive even at the UK limit of 32 tons, this highly specified 38 tonner surprisingly has no payload penalty. Yet operating on the Continent at 38 tonnes, it offers a considerable payload advantage of up to one ton. "We often run at 40 tons GCW with special permission," says Mr Tom Carpenter, Managing Director, Carpenter Plant Hire. "Any truck that can stand up to this plant hire game really must be good!"

...ON PRICE. Not only is the price as low as any (and

lower than most) But almost everything that's an optional extra on other vehicles is standard on the Dodge K38, including the fitted radio.

Clearly the way your big trucks handle mileages is critical to the success of your particular operation. Whether you're after outstanding MPG. Or dramatic turn-around times. Or both. Because it gives unparalleled flexibility of performance, the 'Big Dodge' offers you the best chance of achieving the best cost per ton mile. Each 'Big Dodge' mile can be used as you please - to save time and fuel. Try the 'Big Dodge' Mile Test - at your Chrysler Dealer.

12 MONTHS UNLIMITED MILEAGE WARRANTY



CHRYSLER UNITED KINGDOM

Labour executive plans statement on jobs policy

From Michael Hatfield

Political Staff

Blackpool

The Labour Party's national executive committee plans to present a statement on unemployment to the annual conference which is being held next week. The committee is meeting here today when the Government's measures to mitigate unemployment are certain to be discussed.

The left-wing on the national executive is virtually certain to express its dissatisfaction that the measures announced by the Government do not go far enough. Demands for selective import controls are expected to be raised.

Proposals for import controls were included in a party draft statement which went before the national executive last month.

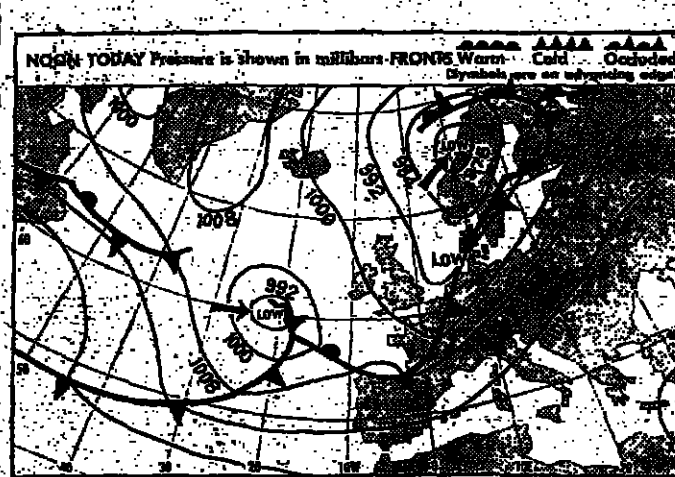
Three on Scots explosives charge

Raymond Lester, aged 17, an apprentice electrician, of Gooseholm, Crescent, Dumbarton, and a schoolboy aged 15 appeared on an explosives charge in rivate before Sheriff Marcus Stone at Dumbarton Sheriff Court yesterday.

They were charged with causing an explosion on the railway line near Dumbarton East station on September 15 by using explosive substances likely to endanger life or cause serious injury to property. Both were remanded in custody for eight days.

Robert Malar, aged 18, of Eriskar Avenue, Scotstounhill, Glasgow, was remanded in custody at Glasgow Sheriff Court. He was charged with conspiring with Lester to set down an explosive substance at the door of the Bank of England in St Vincent Place, Glasgow.

Weather forecast and recordings



Today

Sun rises: 6.52 am
Moon sets: 6.51 pm
Moon rises: 1.4 pm

9.39 pm

Last Quarter: September 28

Lighting up: 7.21 pm to 6.24 am

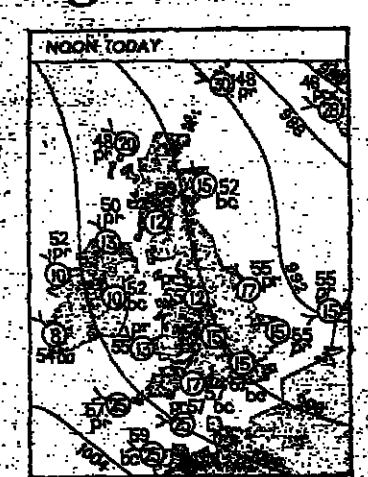
High water: London Bridge, 2.44 am, 6.8 am (22.2 ft), 5.29 pm, 6.7 m (22.0 ft), Avonmouth, 10.53 am (16.7 ft), Dover, 2.42 am, 6.1 m (19.5 ft), 2.59 pm, 15.2 ft (46.2 ft), 6.2 m (20.3 ft), 10.13 pm, 6.5 m (21.3 ft), Liverpool, 2.50 am, 8.4 m (27.7 ft), 3.6 pm, 8.3 m (27.2 ft).

Pressure is low in N and W of British Isles.

Area forecasts:

London, SE, central S, E, central N, NE, England, East Anglia, Middle, Channel Islands: Sunny spells, showers developing, locally heavy; wind W to NW, light or moderate; max temp 15°C (59°F), 10°C (50°F).

SW, NW, England, Wales, Lake



At the resorts

24 hours to 6 pm, September 25

max min rain sun

COAST

Bournemouth 11.1 10.1 0.1 100

Brighton 10.1 9.1 0.1 100

Bristol 10.1 9.1 0.1 100

Cardiff 10.1 9.1 0.1 100

Exeter 10.1 9.1 0.1 100

Gloucester 10.1 9.1 0.1 100

Leamington 10.1 9.1 0.1 100

Liverpool 10.1 9.1 0.1 100

Luton 10.1 9.1 0.1 100

Manchester 10.1 9.1 0.1 100

Marblehead 10.1 9.1 0.1 100

Medway 10.1 9.1 0.1 100

Morecambe 10.1 9.1 0.1 100

Newcastle 10.1 9.1 0.1 100

Northfleet 10.1 9.1 0.1 100

Nottingham 10.1 9.1 0.1 100

Orkney 10.1 9.1 0.1 100

Portsmouth 10.1 9.1 0.1 100

Reading 10.1 9.1 0.1 100

Scarborough 10.1 9.1 0.1 100

Sheffield 10.1 9.1 0.1 100

Southampton 10.1 9.1 0.1 100

Stirling 10.1 9.1 0.1 100

Swansea 10.1 9.1 0.1 100

Torquay 10.1 9.1 0.1 100

Walsby 10.1 9.1 0.1 100

Warrington 10.1 9.1 0.1 100

Widnes 10.1 9.1 0.1 100

Wimbledon 10.1 9.1 0.1 100

Worcester 10.1 9.1 0.1 100

Wrexham 10.1 9.1 0.1 100

Yarmouth 10.1 9.1 0.1 100

York 10.1 9.1 0.1 100

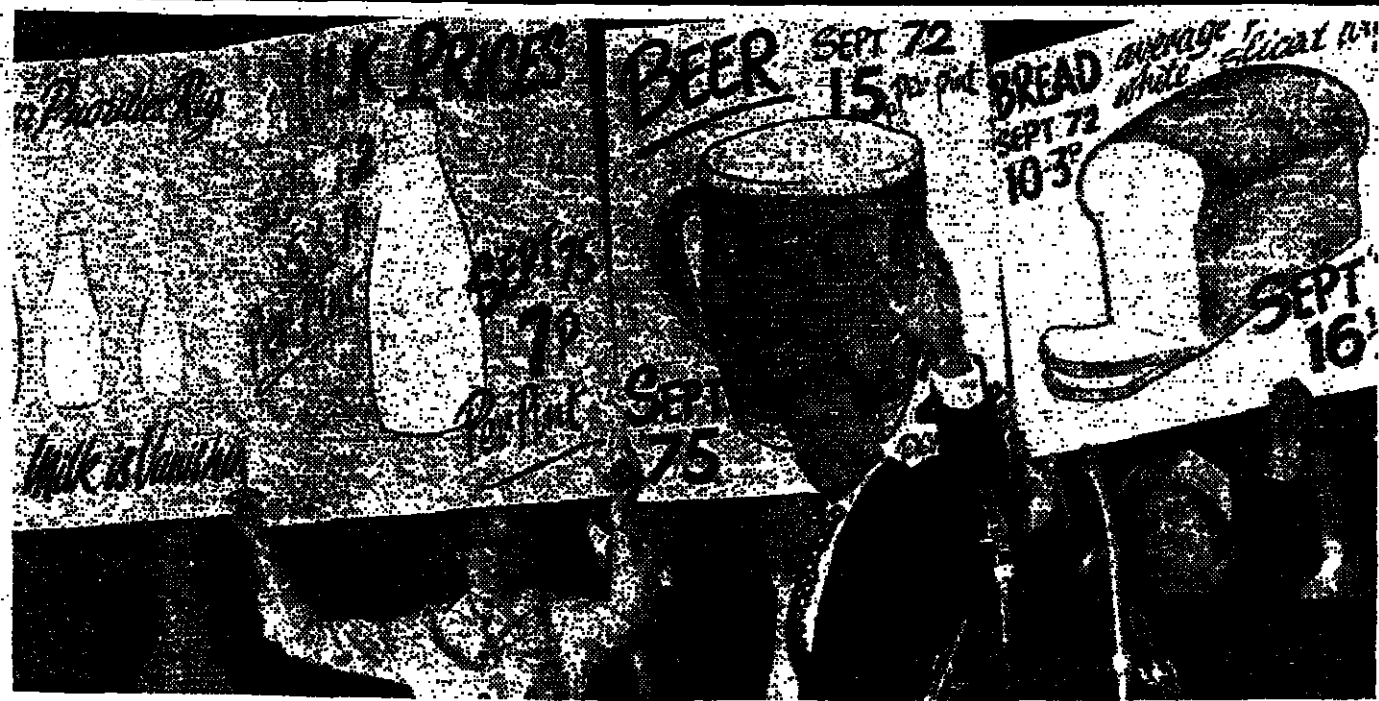
| Station | Temp | Wind | Cloud | Humidity | Pressure |
|-------------|-------------|-------|-------|----------|----------|
| London | 14°C (57°F) | 14-18 | 100 | 7 | 1013 |
| Edinburgh | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Glasgow | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Belfast | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Cardiff | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Birmingham | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Manchester | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Nottingham | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Leeds | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Sheffield | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Blackpool | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Liverpool | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Southampton | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Portsmouth | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Weymouth | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Bournemouth | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Exeter | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Gloucester | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Leamington | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Luton | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Manchester | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Marblehead | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Medway | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Morecambe | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Newcastle | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Northfleet | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Nottingham | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Orkney | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Portsmouth | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Reading | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Scarborough | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Sheffield | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Southampton | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Stirling | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Swansea | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Torquay | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Walsby | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Warrington | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Widnes | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Wimbledon | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Worcester | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Wrexham | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| Yarmouth | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |
| York | 10°C (50°F) | 10-14 | 100 | 7 | 1013 |

HOME NEWS

Farmers' unions back price rise campaign

High Claydon Rural Correspondent
Farmers brought their campaign for higher prices and with the rest of the EEC carefully-orchestrated campaign yesterday with a rally at 11.30 a.m. in the town of Haverhill, Westmorland. The rally was held to concentrate the mind of the farmers and to concentrate the mind of the public on the importance of farming in the economy. The campaign had not lost its

Henry Plumb, president of the National Farmers' Union, said that the campaign was a master of ceremonies. He said that the effect of the campaign was to concentrate the mind of the public on the importance of farming in the economy. He said that the campaign had not lost its audience of more than 10,000 people. He said that the campaign was a master of ceremonies. He said that the effect of the campaign was to concentrate the mind of the public on the importance of farming in the economy. He said that the campaign had not lost its audience of more than 10,000 people.



Sir Henry Plumb, NFU president, salutes the farmers from a background of posters at yesterday's rally.

Transport and General Workers' Union, who said that expensive dairy equipment was standing idle in his country when it could be producing butter and cheese for export as well as home consumption.

Mr Fraser Evans, president of the National Farmers' Union of Scotland, chimed in with an attack on the Government for operating this 'no little and no less' theme. He said that the Government was 'too little and too less' to be trusted.

The audience was quiet for much of the time except after references to members of the Cabinet, particularly to Mr

Pear, who was described by one Yorkshire farmer as 'the villain, the culprit of the piece'. MPs, some of whom were shouted down at a previous meeting in the hall, had stayed away.

There was some restiveness at the abrupt end of the organized timetable after a petition had been handed in to Downing Street before lunch. Some of those who travelled overnight to the rally had hoped to be able to demonstrate elsewhere in the afternoon.

But Sir Henry made it clear he thought the petition and the six demands with it were important, although he would not deliver the documents himself. "When I go to No 10 I

do not want to knock on the door and hand in a petition", he said. "I want to go through the door for a frank and detailed talk."

The demands, he said, were 'reasonable and practicable'. He wanted help for upland farmers, exchange rate parity with other EEC farmers and arrangements to ensure that the present differences in rates did not recur.

The unions also wanted the price of milk to be raised immediately "to a level that the farmers' unions will accept as at least enough to arrest the current decline in milk production". They also wanted pledges from the Government to hold more frequent price reviews while inflation remained high

and not to damage the structure and capacity of farming. He concluded: "The purpose of this meeting was not to abuse the Government or to slam at harassed ministers. Our purpose was to focus the attention of the nation as a whole on the inescapable and natural consequences of the present short-sighted policies."

The Tied Cottages: An extensive system of licensing farm cottages should be implemented, as an alternative to sweeping proposals by the Government to abolish tied housing on farms, a report said (a Staff Reporter writes). The Tied Cottages—An alternative to abolition (The Arthur Rank Centre, National Agricultural Centre, Stoneleigh, Kenilworth, Warwickshire).

Sinn Fein leader denies IRA will end ceasefire soon

From Christopher Walker Belfast

Shadow boxing between the Government and the Provisional republican movement over the discredited ceasefire continued yesterday without either side showing any inclination to move from their fundamental positions.

As accusations and counter-accusations passed between officials at Stormont Castle and Provisional spokesmen in Dublin, the most significant disclosure came from Mr Rory O'Brady, president of the Provisional Sinn Fein and one of the most influential voices of militant republicanism.

Interviewed on Irish Radio, Mr O'Brady appeared to dispel fears that the continuation of direct rule by Britain in the wake of a collapse of the Convention would lead to an immediate and automatic resumption of hostilities by the Provisional IRA. Such a resumption had always been assumed as probable by senior members of the British security forces.

Explaining the repeated demand from the Provisionals for a public declaration of intent to withdraw by the British, Mr O'Brady said: "People are always discussing an outright pull-out by the British. Mr Rees says that is not on. We have never asked for that and in the middle period, while working towards a British disengagement, there would of course have to be direct British rule."

Although much verbal abuse was exchanged during the day and there was another bomb attack, the uneasy ceasefire remained intact. Asked about

its future, Mr O'Brady replied: "The British have broken the truce with the level of harassment and intimidation, but that doesn't mean that the truce should be thrown away at this particular stage."

The Provisional IRA's ruling army council issued a statement yesterday claiming that the British had entered into a bilateral truce and that its terms had been broken by recent acts of intimidation and torture carried out by the Army and the RUC.

The statement concluded: "The Provisional IRA has taken action against these violations of the said truce in the past, and reiterates that military action will be taken against each and every violation in the future. All active service units have been instructed accordingly."

Less than two hours after the statement was released, the war of words continued when the Northern Ireland Office issued a stern denial. A response from Stormont Castle said that the allegations of harassment and torture were "not only false but fabricated deliberately to mislead people who live in areas where the IRA seeks sympathy and support."

The allegations that a deal had been entered into were again denied by the Government, which said suggestions that a truce had been violated were made by the IRA only to justify murder, bombs and intimidation.

During the afternoon, another bomb exploded, this time wrecking a bank and a confectionery shop and causing widespread damage in the centre of Lurgan.

Once again the attack was believed to have been the work of the Provisional IRA, bringing the number of explosions they have caused in Ulster this week to 25.

The bombs have caused bitter resentment among Protestants, and yesterday Mr Glen Barr, chairman of the Loyalist Central Coordinating Committee, gave a warning that their own ceasefire with the security forces was dangerously close to breakdown. Speaking after a six-hour meeting of the committee, the powerful umbrella group covering the armed paramilitary groups, Mr Barr said that a decision to terminate the ceasefire had been narrowly averted.

As has happened so often over the past four months, the business of the constitutional Convention has been overshadowed by the latest outbreak of violence, but it now appears certain that the Government will grant the three-month extension allowed for.

Yesterday, the business committee agreed a formula for the final debates which, for administrative reasons, seem likely to carry proceedings beyond the deadline of midnight on November 7. In addition, the Government is understood to regard it as wise politically to allow the politicians an extended period for their deliberations. During the extra three months, the parties will be asked to reconsider their attitudes in the hope that after the presentation of their original report they might find it easier to escape the rigid guidelines set down in their election manifestos.

Former RAF pilot 'sought best to escape Russians'

John Chartres

In giving his evidence on the fourth day of his trial in Alastair Duncan Steadman, a former flight lieutenant, told the jury he wanted police to arrest him and him in custody so that he would be safe from threats to him and his family which, he said, were made by a consular official to him sell secrets.

Steadman, aged 34, a bomber captain before his defection from the RAF, said he was charged with selling secrets to the Soviet Union committing preparatory

had said he told lies to police in North Wales as he was instructed to by the Russians if questioned about a visit he made to a Soviet consulate in London in 1957.

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Pork, pork and fresh fish cost more

will soon cost more of increases of about 10p on home-produced pork sides yesterday. All vary between shops unlikely to exceed 6p on the most expensive. Pork will also cost more in some shops.

Meat prices have been cut in the campaign by 10p to 15p. The reductions range from 10p on rump and 10p to 15p on roast beef. Most lamb is cut, apart from the few cuts from New Zealand. The first winter vegetables are now reaching the shops, although home-grown and Brussels sprouts are best left alone until they become cheaper. The latter, especially, tend to be ragged when they come on to the market. Celery will soon cost more, especially tomatoes which are rising by about 3p a pound to a minimum of 15p. Celery will soon be slightly cheaper. A few preservatives have ended at 20p a head or more. Apples and pears are well worth buying now that the last of the soft and exotic summer fruits have passed. There are also plenty of yellow melons from Spain at about 14p each for the smallest and 32p for the largest.

Death of oil divers leads to prosecution

By a Staff Reporter

The first prosecution in connection with diving deaths in the North Sea oil operation is to be brought by the Health and Safety Executive after the death of two men at Scapa Flow in July.

Walton Mole Co (Great Britain) Ltd, of Middlesbrough, will be prosecuted at Kirkwall Sheriff Court, Orkney Islands, on September 30 under the Health and Safety at Work Act, 1974.

Mr Peter James Walsh, aged 25, of Burnley, Lancashire, employed by G. Marine of Bournemouth and Mr Peter Carson, aged 20, of Bearsden, Glasgow, employed by Underwater Security Ltd, based in London, died on July 6.

They were working on a pipeline 120ft down, off the island of Flotta.

Food prices

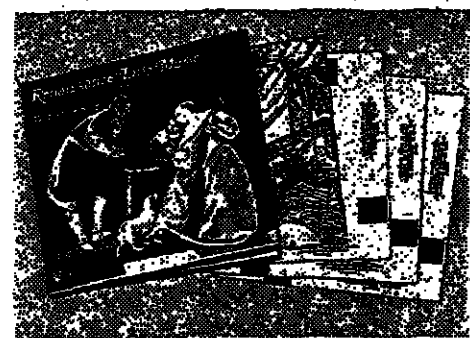
Hugh Clayton

The trouble with chickens is that shoppers want some parts of the bird more than others. As Mr Clement Keen, chairman of Farmers Table, said: "What we need to do is to breed a chicken with 24 legs."

The first winter vegetables are now reaching the shops, although home-grown and Brussels sprouts are best left alone until they become cheaper. The latter, especially, tend to be ragged when they come on to the market. Celery will soon cost more, especially tomatoes which are rising by about 3p a pound to a minimum of 15p. Celery will soon be slightly cheaper. A few preservatives have ended at 20p a head or more. Apples and pears are well worth buying now that the last of the soft and exotic summer fruits have passed. There are also plenty of yellow melons from Spain at about 14p each for the smallest and 32p for the largest.

Potatoes have become slightly cheaper in the past week as lifting has progressed, but most are still not less than 5p a pound. Some salads will soon cost more, especially tomatoes which are rising by about 3p a pound to a minimum of 15p. Celery will soon be slightly cheaper. A few preservatives have ended at 20p a head or more. Apples and pears are well worth buying now that the last of the soft and exotic summer fruits have passed. There are also plenty of yellow melons from Spain at about 14p each for the smallest and 32p for the largest.

"Which major chemical company records 16th-century music and 20th-century statistics?"



BASF is fast establishing itself as a leading recording company in the UK. It has already earned a reputation for the high artistic and technical standard of its classic and jazz productions and is now making a similar impact on the pop scene. Altogether the BASF catalogue comprises about 1800 albums and 500 singles and includes such great names as Oscar Peterson, Ella Fitzgerald, the Collegium Aureum, Rudolf Kempe and Freddy Breck. The record album above is of Renaissance Lute Music and is on the Harmonia Mundi label.



From records of 16th Century music to records of 20th century statistics like this latest computer installation involving BASF equipment. It's the Computer Centre of The British Mail Order Corporation Ltd in Manchester. The computers incorporate both BASF tape and disc drive storage facilities. The drives are, in fact, capable of storing 5000 million bytes of information, with a transfer rate of only a few milliseconds. With such a big job to do it's as well that BASF equipment is subject to 100% quality checks.

Two kinds of disc are made by BASF. Both store information and reproduce it with utter fidelity. One serves as memory — core to computers: it is becoming smaller, lighter, quicker to store and retrieve.

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Address _____

BASF are the people concerned

BASF



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Every day of the year another 100 families become homeless. They all need our help. Urgently.

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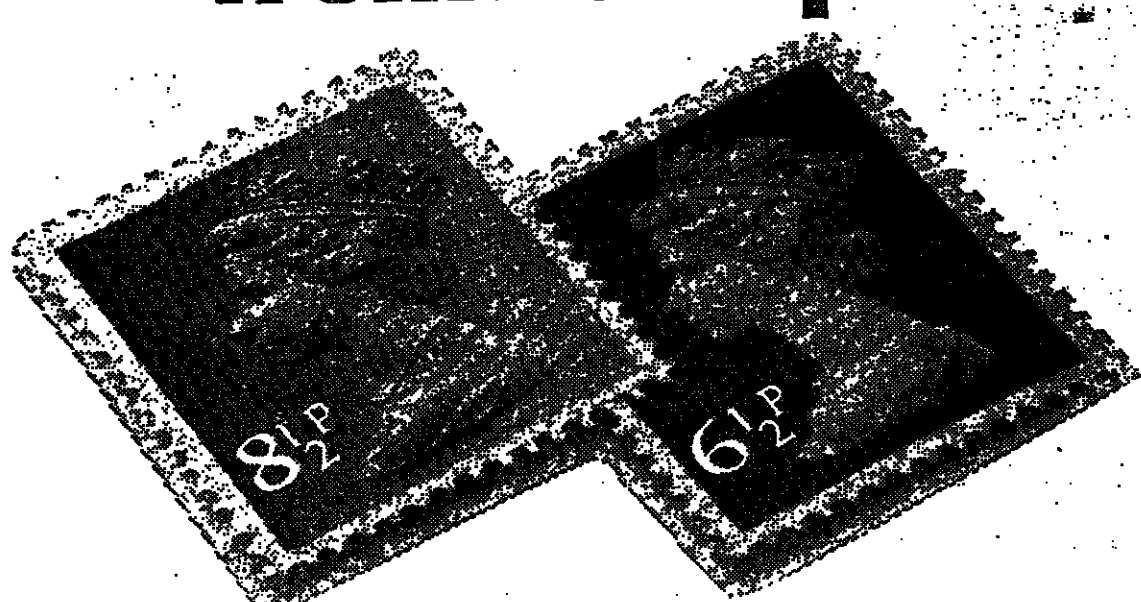
Name _____ 26/9/T

Address _____

Please send a receipt

SHELTER National Campaign for the Homeless
86 Strand, London WC2R 0EQ.
SHELTER Scotland, 6 Castle Street, Edinburgh EH2 3AH.

New postal rates from 29 Sept



1st Class letters up to 60 grams (2.1oz) **2nd Class letters up to 60 grams (2.1oz)**

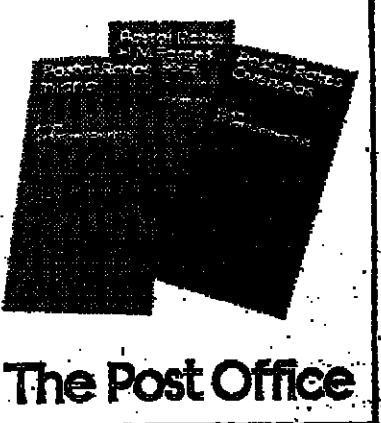
Rising costs and the requirement to reduce losses have made increases in postal rates an unhappy necessity. The price changes are spread over inland, Overseas and H.M. Forces mail, other postal services and also Postal and Money Orders.

To avoid confusion from two changes on different dates, metrication, announced a year ago, and new rates will both take effect on the same day—29 September.

Most senders of ordinary letters and cards will be unaffected by the change from familiar ounces to grams.

| Inland letters | | | Inland parcels | | |
|-------------------------|-------------|--------------|----------------|------------------|----------------|
| Not over | First Class | Second Class | Not over | Ordinary Parcels | Local Parcels* |
| 60g (2.1oz) | 8½p | 6½p | 1kg (2.2lb) | 48p | 39p |
| 100g (3.5oz) | 11½p | 9p | 2kg (4.4lb) | 62p | 53p |
| 150g (5.3oz) | 15p | 11p | 3kg (6.6lb) | 75p | 66p |
| 200g (7.1oz) | 18p | 13p | 4kg (8.8lb) | 87p | 78p |
| 250g (8.8oz) | 21p | 16p | 5kg (11.0lb) | 98p | 89p |
| 300g (10.6oz) | 24p | 18p | 6kg (13.2lb) | 108p | 99p |
| 350g (12.3oz) | 27p | 21p | 7kg (15.4lb) | 118p | 109p |
| 400g (14.1oz) | 30p | 23p | 8kg (17.6lb) | 128p | 119p |
| 450g (15.9oz) | 33p | 26p | 9kg (19.8lb) | 138p | 129p |
| 500g (17.7lb) | 36p | 28p | 10kg (22.0lb) | 148p | 139p |
| 750g (16.7lb) | 51p | 42p max. | | | |
| 1000g (2.2lb) | 66p | | | | |
| each extra 250g (8.8oz) | 15p | | | | |

*Parcels posted and delivered in same post town.



HOME NEWS

Tuition fees for Open University to rise by 60 pc

By Frances Gibb of The Times Higher Education Supplement

The Open University is to increase its tuition fees by 60 per cent from next January. The decision comes after an announcement last week by the Department of Education and Science that the OU's grant for 1976 would be worked out on the assumption that fees were raised from their present level.

The cost of a full-length Open University course will rise from £25 to £40. To complete an ordinary degree from scratch, students will have to pay an extra £90, as six full-length courses are the minimum requirement for matriculation. A full honours course will cost students an extra £120. Fees for a half course will rise by 33 per cent to £20.

The Government has agreed, however, to increase the OU's hardship fund from £7,000 to £50,000. The fund is used to help students who have difficulty in paying their fees.

In a letter to the OU's 50,000 students sent out today, Professor Ralph Smith, acting vice-chancellor, said: "The university council has reluctantly decided it has no option but to increase course tuition fees."

But the OU would continue to press for fees to be kept as low as possible, he said. The decision, after six months of discussion, was forebodingly late, he said.

The Department of Education and Science said: "The increase is necessary to restore the purchasing power of the OU's grant for 1976, which was in fact determined in 1973."

He agreed that OU students' fees were a higher proportion of the university's budget (8 per cent) than those of students at other universities (2 per cent), but added that most OU students were in full-time employment.

OU students already pay on average £532 for a degree course. The minimum they can pay for a complete degree course is £422 and the maximum could be as high as £1,000, according to their subject.

Other costs include the compulsory residential summer schools, travel to study centres throughout the year, set books and postage of assignments. Students do not qualify for mandatory grants, but most local authorities give some assistance with summer school fees.

A decision not to increase the fees would have necessitated a cut of £683,000 in the OU's budget for 1976. That would have prevented development of new courses and caused severe reductions in services to students, an official said.

Rhodesian student influx is challenge to Government

By Martin Huckerby

The sudden influx into Britain of hundreds of black Rhodesian students without grants is a deliberate attempt by the Rhodesian Government to force the Government to fulfil what they regard as its promise to educate black Rhodesians, it was made clear yesterday.

The National Union of Zimbabwe Students (NUZS), at a press conference in London, said about 1,500 students had arrived in Britain, with more arriving all the time, although government scholarships had been provided for only 200. Mr Herbert Musikavanhu, of the United Kingdom branch of NUZS, said: "It is an organised response. We make no bones about it."

Mr Musikavanhu said the union was advising students in Rhodesia to come to Britain in an attempt to force the Government to increase the number of grants. Students were told to come to Britain only if they had places at universities, polytechnics or technical colleges.

It was necessary to have Zimbabwean students in Britain who would be able to run their own country when they achieved independence. Such training was not available under the regime of Mr Ian Smith.

There were 60,000 students in Rhodesia who were qualified for further education but could not obtain it in their own country. It was the ultimate aim of NUZS to get further education for them all. It was the responsibility of the British Government.

He recognized that many of the students now in Britain had difficulties, but added: "It is a necessary sacrifice, for themselves and for their country. Others are giving their lives for their country."

Mr Brigho Marangwana, chairman of the United Kingdom branch, said they had been told by the Government last week that only 200 scholarships would be provided in Britain, plus 70 for study in Rhodesia and 70 for study at other Commonwealth universities.

One of the students who has arrived without a grant, Mr Cecil Savanu, aged 26, said he had come with a group of 12 students earlier this week. He has a place at the Polytechnic of Central London to study for a BA in social science.

At present friends are providing accommodation and help with living expenses. He said his £311 fare from Rhodesia had been provided by his family and friends.

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How much has Dunlop made for Britain so far this year?

Midland Bank Limited 31st July 1975 40-06-10

Pay Britain or order

Four million one hundred thousand £4,100,000

pounds only

Dunlop

⑈573051⑈ 40⑈1840⑈ 00643912⑈

Midland Bank Limited 31st July 1975 40-06-10

Pay Britain or order

Five million one hundred thousand £5,100,000

pounds only

Dunlop

⑈573052⑈ 40⑈1840⑈ 00643912⑈

Was it this much?

Lloyds Bank Limited 31st July 1975 30-97-78

27-24 PAY Britain OR ORDER

Seven million one hundred thousand £7,100,000

pounds only

Dunlop

⑈30 00 01⑈ ⑈134⑈ 9527⑈

Lloyds Bank Limited 31st July 1975 30-97-78

27-24 PAY Britain OR ORDER

Ten million two hundred thousand £10,200,000

pounds only

Dunlop

⑈30 00 02⑈ ⑈134⑈ 9527⑈

BARCLAYS BANK LIMITED 31st July 1975 20-71-64

Pay Britain or Order

Eleven million four hundred thousand £11,400,000

pounds only

Dunlop

⑈1115⑈ ⑈1115⑈ ⑈1115⑈ ⑈1115⑈

BARCLAYS BANK LIMITED 31st July 1975 20-71-64

Pay Britain or Order

Thirteen million one hundred thousand £13,100,000

pounds only

Dunlop

⑈1115⑈ ⑈1115⑈ ⑈1115⑈ ⑈1115⑈

Was it this much?

Nothing is known of the revenue between January 1st 1975 and July 31st 1975. Dunlop exports totalled £25,500,000. That's 30% more than last year. £11,400,000 for machine equipment, £5,000,000 for lighting equipment, £1,100,000 for sports goods and £2,000,000 for other goods. £4,100,000 for tyres and £5,000,000 for the other Dunlop products.



HOME NEWS

Practice of remanding children to adult prisons must stop, Commons committee demands

By Pat Healy

Social Services Correspondent

An immediate end to the practice of remanding children accused of offences to adult prisons was demanded yesterday by a Commons committee. Alternative arrangements must be made at once by government and local authorities, Mrs Renée Short, Labour MP for Wolverhampton, North-East, and chairman of the committee, said.

"We are not talking about something happening in five years' time", Mrs Short said. "It must be done now. Public opinion is outraged because youngsters of 14 and 15 can be put in adult prisons. It is up to the Government and local authorities to get their heads together and the resources must be made available now."

The call was made in the report of the expenditure sub-committee on the working of the Children and Young Persons Act, 1969. The report says that increasing numbers of young people are being held in prisons and remand centres because of the use of certificates of unruliness issued when local authorities felt a young person on remand was too unmanageable to be kept in a community home.

"Over 3,000 such certificates are issued annually", the report says. "A particularly worrying feature is that some 40 per cent of those remanded to prisons subsequently receive non-custodial sentences."

"We condemn in the strong-

est possible terms the use of certificates of unruliness as a means of achieving secure accommodation. We recommend that the practice of remanding young persons to adult prisons should cease forthwith; alternative arrangements must be made."

The committee also recommends that more educational resources should be given to remand centres because in some children of school age are receiving only two hours' education a day. The report shows that although the committee does not think some of the criticisms of the Act are justified, it has gone a considerable way to meeting the objections of magistrates and police.

"The extent to which a particular child may commit offences which go seriously beyond sheer mischief depends on social deprivation (bad housing, poverty, poor schooling, broken families) more than any other factor", the report adds.

The major failing of the 1969 Act is that it is not wholly effective in differentiating between children who need care... and the small minority who need strict control and an element of punishment. We strongly recommend, within the framework of the Act, a major shift of emphasis away from custodial and punitive techniques and towards intermediate schemes, supervision and a much greater use of non-residential care, especially fostering."

The committee finds that

many residential facilities are underused, partly because of difficulties in recruiting enough staff and partly because heads of community homes could refuse to take particular children. It recommends that heads of community homes in each area should accept responsibility for children needing a place and that they should decide among themselves which home should take a particular child.

For children in trouble, the report recommends changes in practice and the powers of the courts. Supervision orders should have conditions attached so that, for example, non-payment of a fine could result in a child being sent to a detention centre.

Magistrates should be able to make a "secure care order" to ensure that a child is removed from home if he reappears in court while still under a care order. Detention centre orders should be issued for from two days to three weeks, in addition to the present sentences of three or six months.

The report also recommends the establishment of liaison committees representing magistrates, teachers, social workers and probation officers to discuss the progress of individual children in care or under supervision.

Eleventh Report from the Expenditure Committee Session 1974-75 (The Children and Young Persons Act, 1969. Stationery Office, Volume 1 (Report), 75p; Volume 2 (Minutes of Evidence and Appendices), £7.70.

Big rise in cost of car licence centre

By Our Political Staff

The lack of planning and the failure to prepare reliable estimates on the introduction of the computer system for the issue of driving licences from the new centre in Swansea was criticized yesterday by the House of Commons. Public Accounts Committee, of which Mr Edward du Cann, Conservative MP for Taunton, is chairman.

In particular, the committee was critical of the costing of the new scheme. In 1968 it was estimated that in the 12 years to 1980 the transfer of licensing from local taxation offices to the computer centre would be £146m. A revised estimate in July, 1974, when staff requirement had risen from 5,400 to 7,000, showed the cost over 14 years, to 1982, would be £233.5m.

The latest estimate is about £350m at 1974 prices, about two-thirds of which is staff costs. Staff required is expected to increase by nearly half over the 1968 estimate.

The select committee states that the attempt to meet tight deadlines had led to less efficient computer processes being used, and experience of "fire running" of driver licensing on the computer had shown that considerably more effort than had been expected was needed to deal individually with the small percentage of difficult cases, about 600 a day.



The reverse of the Waterloo Medal, one of 1,200 exhibits in a new gallery at the British Museum devoted to coins and medals.

Alcoholism in boardrooms

A doctor said yesterday that alcoholism is seriously affecting some leading figures in industry.

"I know that in industry there are a lot of people who are inebriated for a large part of the day", Dr Terence Spraley, specialist in alcoholism at Maudsley Hospital, London, told a London conference organized by the National Council on Alcoholism.

"I know of one man who

always tape records interviews because he is usually so drunk that he can't remember them afterwards."

But colleagues often covered up for drinkers so the truth remained hidden.

Sir Bernard Braine, the council chairman, called for an investigation.

"I think that when the truth is finally revealed it will really shock a large number of people", he said.

WEST EUROPE

Nato chief accuses Russia of flouting Helsinki accord terms

Copenhagen, Sept 25.—Dr Joseph Luns, the Nato Secretary-General, today criticized the Soviet Union for failing to live up to its obligations under the document signed at the European Security Conference summit in Helsinki.

"The emphasis placed on international ideological struggle by the leaders of the Soviet Union has so far counteracted any progress in the restrictions on human rights in its own country", Dr Luns said in a speech prepared for delivery to the North Atlantic Assembly.

The document, signed by Mr Brezhnev, the Soviet party leader, and by leaders of 34 other countries, calls for a free flow of information and a lifting of restrictions hindering the reunification of families.

Dr Luns said the alliance was disappointed that the Soviet Union had not acknowledged as a feature of good faith Nato's assurance that its air force would hold manoeuvres this autumn.

"Instead there has been an outcry by the Soviet press that

holding the manoeuvres is not in keeping with the spirit of Helsinki, which is of course ludicrous", he added.

Under the provisions of the Helsinki document, signatory states are obliged to advise one another when manoeuvres involving more than 25,000 troops arise to make a move within 155 miles of another country.

States can volunteer information on smaller manoeuvres and invite observers from other countries to attend military exercises.

Nato has told the Soviet Union and its Warsaw Pact allies that the alliance's forces will hold manoeuvres this autumn and invited Soviet observers to some of them.

Dr Luns today said Nato has not received a single notification of exercises "even though there is no doubt that the Warsaw Pact nations will be holding their usual series of autumn manoeuvres".

Informed sources at the Brussels headquarters of Nato said earlier this week that the Soviet Union was already holding widespread military manoeuvres.—Reuter.

Leading article, page 17

New proposals to resolve Franco-Italian wine dispute

From David Cross

Luxembourg, Sept 25

The European Commission today announced a new series of measures designed to resolve the Franco-Italian wine war. They include concessions to the West Germans who are now the main stumbling block to a solution to the conflict.

Addressing a meeting of the European Parliament in Luxembourg, Mr Pierre Lardinois, the Commissioner for Agriculture, said he hoped the new package of measures would contribute to a final solution when the Community's member Governments meet again next week. It was vital for the Community that the shadow which has been cast over the North Sea by the dispute should be removed.

The main concession to the West Germans is a suggestion that northern European wines exported to West Germany should continue to be taxed to protect similar West German products. Last week, the Commission suggested that these

compensatory payments be abolished to persuade the Germans to import more surplus wine.

Mr Lardinois also announced that a letter had been sent to the British Government urging it to reduce excise duties on table wine. Fiscal duties were five to seven times higher in countries like Britain, Denmark and Ireland than the amount received by the wine grower in the south of France, or Italy.

He realized that taxes could not be reduced immediately, but he thought that other sources of revenue could be found by the Government's concerned to replace the loss of income from wine taxes.

The Commission was also appealing to the Italian Government to catch up on the backlog of payments to its wine growers for storage and turning cheap wine into industrial alcohol. Delays in payments from the Italian exchequer had contributed to the problems of Italian growers, he said.

Parliamentary report, page 14

EEC Commission digs in heels over regional fund

From Our Own Correspondent

Luxembourg, Sept 25

The European Commission will fight to ensure that money from the regional development fund flows as quickly as possible to depressed areas in spite of the austerity campaign being waged by member states on Community expenditure.

Commenting on this week's decision by EEC ministers to trim regional aid by a third next year, Mr George Thomason, the Commissioner for Regional Policy, said there was bound to be a battle ahead over spending from the fund.

Regardless of how member governments acted, they were committed by a decision of

heads of government to provide a full 1,300m units of account (about £540m) for the initial three-year period the fund is to run.

At a meeting of budgetary affairs Ministers in Brussels on Monday it was agreed that some £125m should be set aside for regional expenditure next year. This compared with a figure of about £190m suggested originally by the Commission.

Speaking during a debate on the workings of the "regional fund in the Europe", parliament here, Mr Thomason said it was inevitable that money from the fund would be spent over a period significantly longer than the three years planned originally.

Bonn MPs forgo pay rise

From Our Own Correspondent

Bonn, Sept 25

Deputies in the Bundestag have decided unanimously to forgo a pay rise next year as an example to the nation. An all-party motion will be tabled soon.

Unanimous votes in favour of the freeze were recorded at separate caucus meetings of all three parliamentary parties this week.

A backbencher is paid the

equivalent of £17,236 a year and more often than not has a job outside the House as well. His parliamentary remuneration is not regarded as a salary but as an allowance and is free of tax.

He is expected to spend more than half of it on expenses, including office help and travel. Senior and junior ministers will also forgo an increase in their higher allowances. The self-denial motion is to be tabled during the coming debate on government economy measures.

Herr Strauss told to pay ex-judge £900 in damages

Karlruhe, Sept 25.—The

Bavarian opposition leader, Herr Franz-Josef Strauss, was ordered to pay £900 (DM5,000) today in damages to a former federal court judge.

The court here also warned Herr Strauss that he faced six months' jail and a fine of up to DM500,000 if he repeated allegations, made in a Bonn magazine, that the judge, Herr Heinrich Jagusch, once worked for the Nazi security service but had misinformed the federal court about his past.

Herr Strauss, leader of the Bavarian Christian Social Union, was ordered to pay for advertisements in five daily newspapers publicizing the verdict. Counsel for Herr Strauss said he would appeal.

Moscow: Herr Strauss was attacked by Pravda today as an "adious political figure" who had joined forces with Peking.

Rabies alert in Malaga

From Our Correspondent

Madrid, Sept 25

The police in Malaga are spreading poisoned cat food throughout the city to combat rabies. It was reported in Madrid today that in the past two months 2,500 cats and 6,300 dogs have been killed.

One man died in July after being bitten by a dog and at least four people have been treated for suspected rabies.

British MPs in clash at EEC Parliament

From Our Parliamentary Staff

Luxembourg, Sept 25

British Conservative and Labour MPs clashed angrily in a procedural wrangle at the European Parliament today. Labour MPs were anxious to vote on a resolution on EEC competition policy presented by Mr Tom Norman, Conservative MP for Cheadle.

Labour MPs at meetings of the Socialist group this week have protested strongly at the group's apparent intention to support the resolution which they construed as an attack on nationalization and state aid.

The official Danish spokesman of the group indicated the group would vote with reservations for the resolution, although some MPs would abstain. But Labour speakers made clear their all-out opposition.

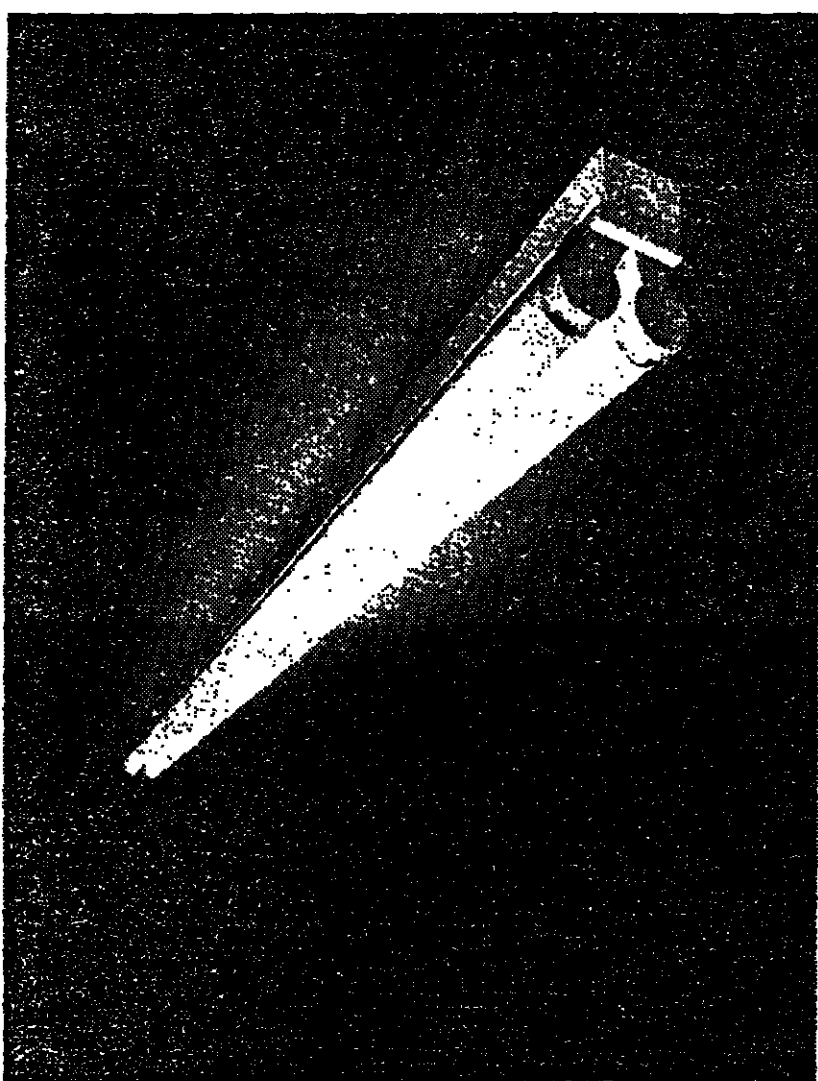
When Labour members on points of order called for a vote, both Mr James Scott-Hopkins, Conservative MP for West Derbyshire, and Mr Peter Kirk, leader of the Conservative group, protested at any move to vote immediately.

Mr Scott-Hopkins condemned the "barking noises" of new Labour members seeking party advantage and Mr Kirk called them a "howling mob". Eventually the Parliament went on to hold an emergency debate on Spain.

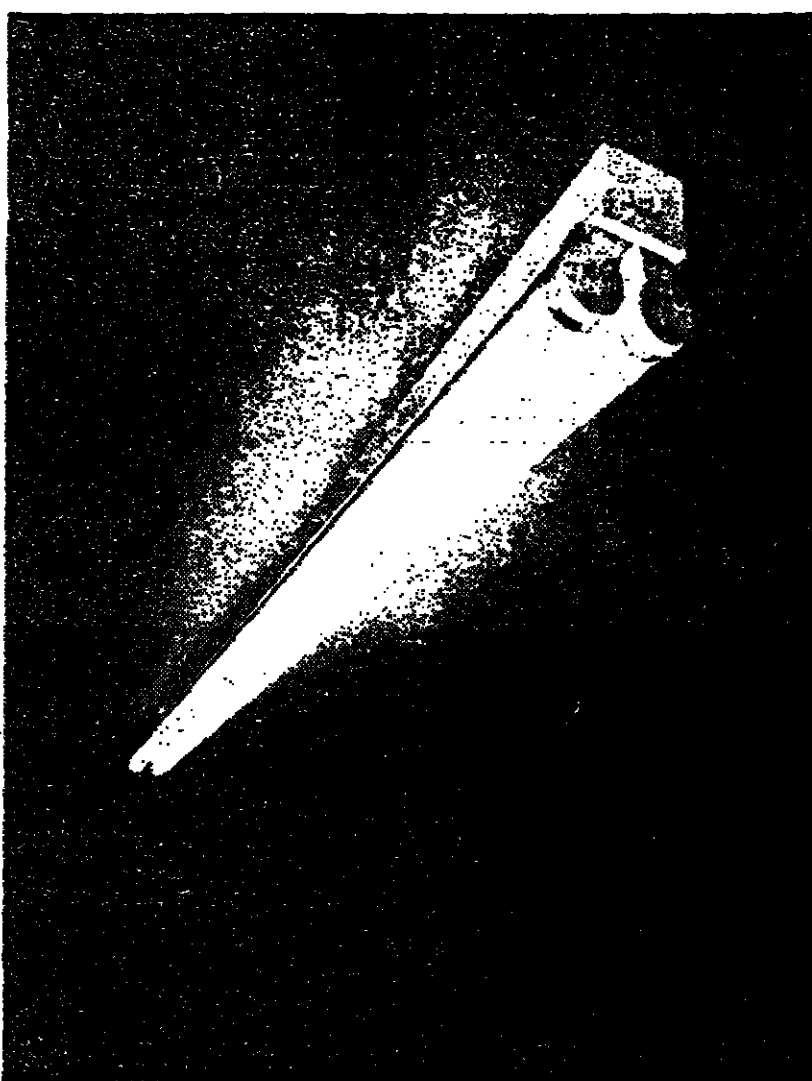
Later in the proceedings the resolution on competition policy was rejected. Labour MPs cheered loudly.

Parliamentary report, page 14

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OVERSEAS

Gromyko-Ailon talks in New York raise hopes of Russia and Israel resuming diplomatic links

From Peter Strafford
New York, Sept 25

Mr Gromyko, the Soviet Foreign Minister, and Mr Ailon, his Israeli counterpart, have held a three-hour meeting at the Soviet mission to the United Nations in New York at Israel's request.

Officials refuse to give details of what was discussed beyond saying that it was the Middle East and its various aspects. It is assumed, however, that one subject was likely to have been the resumption of diplomatic relations, which were broken off by the Russians during the 1967 war.

Since then relations have been strained, and neither Israel nor Russia has been sparing in its attacks on the other. There have been several signs in recent years, however, that both would be glad of an improvement: Israel to lessen its dependence on the Americans; the Soviet Union to exert more influence on developments in the Middle East.

The last meeting between Soviet and Israeli foreign ministers took place in Geneva in December, 1973, when Mr Abba Eban was still in office. Then the Americans acted as go-betweens. This time the Israelis made the move themselves with a direct approach to the Russians in New York, although they told Dr Kissinger, the American Secretary of State, about it.

One topic that could well have come up in last night's meeting was Dr Kissinger's recent suggestion of a broad, informal meeting of all the states involved in the next step in the Middle East. This has been ignored by the Russians, who continue to criticize the latest withdrawal agreement between Egypt and Israel, and to call for a new session of the Geneva conference.

After a meeting yesterday with Dr Kissinger, Mr Ailon said he was ready for new negotiations with Syria, although he was doubtful about the practical possibilities of a partial withdrawal agreement on the Golan Heights.

Edmund Stevens writes from Moscow: The Soviet press and radio chronicled Mr Gromyko's appointments in New York with other foreign ministers, but not his meeting with Mr Ailon. In the light of Soviet practice, the silence tends to indicate that the Soviet Union is attaching much importance to the talks.

They could be another sign that Moscow is reexamining its Middle East policy cautiously. To say it is disenchanted with its Arab allies is no exaggeration.

Although it has refrained from reacting publicly to President Sadat's demonstration of preference for the United States, the bitterness must run deep. After all, who built the Aswan high dam, and originally armed and instructed the Egyptian forces?

Ironically, the Russians are coming to realize that, by severing all ties with Israel, they are committing themselves totally to the Arab cause in the Middle East conflict from 1967, they had painted themselves into a corner. There was little they could do to promote a negotiated settlement.



Lieutenant-Colonel Maggiolo Conveia, the former Portuguese chief of police in Dili, the capital of East Timor, captured by Fretilin soldiers.

Mr Smith questioned on 'black premier'

From Our Correspondent
Salisbury, Sept 25

Mr Desmond Frost, the chairman of the governing Rhodesian Front, demanded today that Mr Smith, the Prime Minister, should explain his reported comment that one day Rhodesia could have a black prime minister.

Last week Mr Smith told Associated Press that a black man was a Rhodesian as much as a white man, and that he was as much right to any position in Rhodesia as any Rhodesian of whatever colour. The possibility of a black man one day sitting in his office could not be precluded.

Mr Frost told 600 delegates gathered for the party's annual conference in Salisbury that this remark had shocked the party and left many of the general public with the impression that black rule was inevitable in Rhodesia. "I hope that the Prime Minister will clarify his statement not only for the sake of Congress but for public consumption as great damage has been done to Rhodesia's image both internally and in South Africa."

However, Mr Frost also hinted that he and Mr Harold Coleman, the party's deputy chairman, had linked up with the radical group that believes that there should be a realignment of constitutional policy with a thorough examination of a scheme for a confederation of Rhodesia with two white and one black. This group includes two Cabinet ministers.

An indication of his thinking came when he referred to the white man never giving up "his half of Rhodesia."

Mr Frost said that by using the Land Tenure Act as a base we can find a solution which removes the fear of domination of one community by another. I believe there are many Africans who are intent on working with us in finding an honest and acceptable solution that will allow us to live in political harmony with a common economic policy leading to greater progress and prosperity for all. By duty and I cannot and will not accept black rule over the white area of Rhodesia.

The radicals who support the confederation plan believe that the present division of land under the Land Tenure Act could be based on which ethnic groups—whites, Shona and Ndebele—could establish three separate states with representatives sitting on a committee to handle external affairs of common interest. Mr Smith is expected to reject the confederation plan as unacceptable.

Mr Frost called for a reappraisal of efforts in the border war and said that for a period of time more ruthlessness would have to be shown.

Mr Frost also attacked businessmen who were transferring money with military commitments to South Africa and replacing them with men who had no military commitments.

Gaining recognition and the removal of sanctions remained an important task for the Government. It was a tragedy that outsiders had to be convinced that the Government was dealing with a bunch of troublemakers representing a few power hungry people who could find nothing better to do than to fight among themselves while on a perpetual holiday trip round the world and did not give a damn for the people they were supposed to represent.

Arabs 'using Lebanon crisis for own ends'

From Paul Martin
Beirut, Sept 25

When Lebanon was last plunged into civil war, Egypt acted, financed and incited the Muslim insurgents in their street battle with the Christian nationalists. As the new war in the streets raged this week, Egypt attacked the radical Muslim and Palestinian groups for their role and supported the Christian call for army intervention to end the fighting.

Clearly much has changed since the 1958 civil war. The years of unceasing Nasserism are different from the Egypt of President Sadat. However, for the Lebanese, the Egyptian stand, and the meddling of the Arabs in the country's affairs, not only now but in the period leading up to the crisis, have served to remind them that their soil is an Arab battlefield.

That this is so has been shown in the way that the crisis in Lebanon has provoked another bitter Arab split. Egypt has accused Arab regimes such as those in Libya, Iraq and Syria of cultivating their protégés in Lebanon, both Lebanese and Palestinian, to further their own ends.

Syria has accused Egypt of trying to sabotage the mediation mission of Mr Abdul Halim Khaddam, and Iraq has accused both Syria and Egypt of fostering the trouble in Lebanon as a smokescreen for their peace mission.

The fact remains, that all three have an important stake in Lebanon. Egypt has been a traditional supporter of the Sunni Muslims in the country, but the ultra-radical trends in this electorate caused by the Palestinian guerrilla presence has caused it to shift alliances.

So much so, that President Sadat earlier this year praised Mr Pierre Gemayel, the tête noire of the late President Nasser as an "honest nationalist."

Furthermore, the Egyptians have been viewing with growing concern the way that the Libyans, in particular, but also the Syrians and Iraqis, have been arming their factions in Lebanon. Libya has poured in \$30m and \$35m (£17.5m) into radical Muslim groups and to the Palestinian "ultras" with the ultimate aim of facing Egypt on the Arab political battlefield.

Sept 25—Isolated shooting incidents and two bombings dented the ceasefire today.

Egypt ready for new phase in bargaining

By David Spanier
Diplomatic Correspondent

The process of launching a "second step" towards a settlement in the Middle East has already begun, according to high Egyptian sources.

The central motif of this new negotiation will be an attempt to bring the Palestinians "into the centre". But a precondition of this will have to be an understanding between the Egyptian leadership and King Hussein of Jordan. The second step will also include some form of disengagement agreement between Israel and Syria in the Golan Heights.

"President Sadat's main objective is to keep the momentum going" according to Mr Tahsin Bechir, the President's official spokesman and close aide, who was in London yesterday to complete arrangements for the presidential state visit to Britain on November 6-7. The highlight of this visit will be a lunch in his honour given by the Queen.

Egyptian confidence was all the stronger, he said, because of the support promised by the United States. Under the recent negotiations, Egypt has secured three important understandings from Washington.

First, if there is any Israel attack against Syria, the United States will "remedy the situation" what this undertaking comprises and how it might work in practice is not clear, but it is regarded as a point of some significance.

Secondly, the United States will help promote a disengagement agreement between Syria and Israel.

Dr Kissinger's recent visits to Damascus have not been just courtesy visits, and serious discussions are expected in the coming weeks.

Thirdly, the United States will assist in the overall conception of bringing the Palestinians into the negotiating process. In this connection, Dr Kissinger's speech at the United Nations points the way, with his specific reference to the legitimate interests of the Palestinians.

In the Egyptian view, the Palestinian cause has not advanced over recent months and this is a matter for positive action. Moves are under way to try to bring Mr Yasser Arafat, the Palestinian leader, and King Hussein together. A reconciliation is possible, provided that Jordan recognises the Palestinians' right to their own land, which presumably means the West Bank and the Gaza strip.

The Egyptian aim is to find ways of overcoming the block on both the Israel and the Palestinian side in talking to one another, according to Mr Bechir. Criticisms of Egyptian policy in the Arab world are answered by the positive gains achieved on the ground.

The Egyptian President will urge Britain to play an active part in making contact with the Palestinians, as both the West German and French Governments have done. The feeling is that, despite all Britain's long experience of the Middle East, the Government is too prone to hang back.

Indonesians kill 15 in Timor clash

Jakarta, Sept 25—Indonesian troops have gone into action for the first time in the Portuguese East Timor crisis, killing 15 left-wing Fretilin soldiers on the Indonesian side of the border in a five-hour clash, official sources said today.

About 200 soldiers of Fretilin (the Revolutionary Front for the Independence of East Timor) had crossed into Indonesian territory near Motaelin, on the northern coast, and fired at least 20 mortar shells, the sources said.

Three civilians were reported killed in the attack before the invaders were pushed back across the border.

It was the first reported clash between Indonesian troops and Fretilin, one of the three warring parties in Portuguese Timor.

Fretilin claims to have complete control of the colony. Its main rivals are the Apodeti party, which wants the territory to integrate with Indonesia, and the Timorese Democratic Union (UDT), which wants East Timor to become an autonomous province within Indonesia.

Another Democrat throws his hat in the ring

From Patrick Brogan
Washington, Sept 25

An eighth candidate for the Democratic nomination for the presidency entered the fray this morning, confident that party and nation will rally happily around him. He is Mr Milton Shapp, Governor of Pennsylvania, one of the Democratic hopefuls who cluster around the 1 per cent point in every opinion poll.

When the Democrats assemble in New York next August to choose their candidate, most of the eight will still be there. Changes in the electoral law and in party rules mean that few will have to drop out, just because nobody wants them. The final total will be about 12.

Mr Shapp is 63 and was a successful businessman before he entered politics. He will be much in the limelight next year when the bicentenary of the Declaration of Independence will be celebrated in Philadelphia.

In his statement today, he said: "We need a new spirit in 1976 to match that of two centuries ago, and a new zeal to match that of FDR (Roosevelt) two score and two years ago when hopelessness last engulfed this land. I seek the presidency of this great country to supply that kind of leadership."

The declared candidates are Senator Lloyd Bentsen, Senator Henry Jackson, Mr James Carter and Mr Terry Sanford, both former governors, Mr Fred Harris, a former senator, Mr Morris Udall, a congressman, and Mr Sargent Shriver.

British diplomatic move to reopen Rhodesia border

From Our Correspondent
Lusaka, Sept 25

The British Government is mulling all its efforts in a diplomatic move to get the Rhodesia-Zambia border reopened, the leader of a five-man delegation of British parliamentarians visiting Zambia revealed today.

Mr Frederick Willey, Labour MP for Sunderland North, said in Livingstone that Britain considered the border closure "unfortunate" since Zambia and Rhodesia had historical attachments.

His Government was fully aware of the problem Rhodesia had created and "everything possible is being done to solve it". Britain could not accept the present situation in Rhodesia because the majority of the people there were being denied basic human rights.

Mr Willey said: "We are committed to having constitutional talks resumed in order to end the long-standing problem peacefully."

When the border blockade was imposed in 1973, first by the Rhodesian Government and later by Zambia, Zambia banned the export of copper and other goods through Rhodesia.

Zambia also froze all payments to Rhodesia, South Africa and Mozambique for goods from those countries until the goods arrived in Zambia. The decision cost Rhodesia more than £750,000 a month in freight rates, and Rhodesia and South Africa lost business worth £150m.

before trying to force their way into the house believing it contained 7m shillings (£400,000), police said. Shells were fired at Mr Zewde as he escaped in one of the raiders' own cars, but he was not hit.

The two GSU members, Corporal Francis Mwangi and Constable Joseph Tigiti, and three civilians were sentenced to 12 strokes of the cane as well as 12 years imprisonment with hard labour. After release they were ordered to live under police surveillance for five years in specified areas.

Mrs Thatcher's candour admired

Continued from page 1

chairman of the President's Council of Economic Advisers.

She is clearly delighted that her words have been given such attention. She would not have it that she had said much that was new or different from what she had been saying in Britain.

But she acknowledged that while on tour she had been "presented" more forcefully, with more press releases, adding that it was only when things were being said for the third to the sixth time that politicians got their views noticed.

Her speech to the Socio-Economic Institute in New York had been a more intense analysis of the British economic scene and so gained note. Her speech on liberty to the Pilgrims Society was heartfelt. She said that if Britain lost its freedom it would be "more than the loss of a country of 55 million people, but a great moral and philosophical blow for the world."

Part of her purpose here had been "to give people some hope in Britain's future."

She had found many people here who had been "presented" more forcefully, with more press releases, adding that it was only when things were being said for the third to the sixth time that politicians got their views noticed.

Her speech to the Socio-Economic Institute in New York had been a more intense analysis of the British economic scene and so gained note.

Callaghan attack on Tory leader

From Our Own Correspondent
New York, Sept 25

Mr James Callaghan, the Foreign Secretary, today made a strong attack on Mrs Thatcher, Leader of the Opposition, for criticising Britain in speeches in the United States. British politicians, he told a press conference in New York, should submerge their domestic differences when they were abroad in the interests of the country.

They should present Britain "as it is: resilient, dogged, and in the process of overcoming its problems", he said. Britain was "a country that has a real future", a staunch ally of the United States, and a supporter of the United Nations.

Mr Callaghan's press conference, held in the Waldorf Astoria hotel, was called to counter the widespread American view that Britain is going down the drain. But he was obviously expecting a question about Mrs Thatcher's recent visit, and when it came he seized on it with enthusiasm.

He thought that Mrs Thatcher would accept his own description of Britain as a country with a real future. But the effect had been spoiled by the "argumentative" sections of her speeches.

12-year Nairobi sentences

Nairobi, Sept 25—Five men, including two members of Kenya's elite police General Service Unit (GSU), were each imprisoned for 12 years today for an armed attack on a relative of the late Emperor Haile Selassie.

The men attacked the home of Mr Seifu Zewde, husband of the Emperor's granddaughter, Princess Mary Asfa Wossen, and Secretary-General of the African Airlines Association, on September 13.

They admitted stealing weapons from a GSU barracks

Kenya protests to Britain over press reports

From Our Correspondent
Nairobi, Sept 25

Mr Ngunjiri Njoroge, the Kenya High Commissioner in London, has handed a protest to the British Government against what are described as "insinuations, distortions and innuendoes" in sections of the British press against Kenya.

The Note particularly objects to statements referring to President Kenyatta, abandoned their yacht Flamingo when typhoon Wilma smashed its mast and keel.

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Mr Chou fails to receive Hanoi delegation

Peking, Sept 25—A senior North Vietnamese delegation left Peking today without a customary meeting with Mr Chou En-lai, the ailing Prime Minister.

The delegation, led by Mr Le Duan, the first secretary of the North Vietnamese Workers' Party, had talks with Chinese leaders and an audience with Chairman Mao Tse-tung. The New China news agency later said that Vietnam would receive an interest-free loan.

No reason was given for Mr Chou's failure to receive the delegation.

Policemen deny charges of corruption

Hongkong, Sept 25—Two British superintendents of the Hongkong police today pleaded not guilty to receiving a total of \$8K1.3m (£110,000) from a corruption syndicate.

Mr Cecil James Cunningham, aged 43, from Derbyshire, and Mr Benno Thompson, aged 42, from Winchester, were released on bail of \$8K150,000 each by Judge Arthur Garcia in Victoria district court.

They were charged jointly with conspiring with three Chinese policemen to obstruct justice.

Alleged killer of policeman held

New York, Sept 25—Louis Velez, the alleged killer of two policemen, was captured today as police forced him out of his hideout and grabbed a home-made grenade from his hand.

The police said Mr Velez, who is 25, would be charged with the murders on September 16 of the two policemen, who were shot dead when they stopped a car and tried to question its driver.—Reuter.

Cairo death of envoy

Cairo, Sept 25—Mr Ashok Bhadkamkar, the Indian Ambassador to Egypt, died on Wednesday night of a heart attack at the age of 53.

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Dunlop

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SPORT

Faultless exhibition by MacDougall aims at only one target

By Gerry Harrison

Before the football season started Ted MacDougall, of Norwich City, set himself a target of 20 goals in the first division. After only nine league games, he has 11 to his name and he scored another three against Manchester City in the Football League Cup. That sum constitutes 14 basic facts in the story of a footballer's career. Other ingredients include Bond, Boyer, the earnest study of single-mindedness, a high protein diet and considerably more talent than he has been credited with.

First the character. Outwardly, MacDougall is one of the brash, confident, easy-going brigade, a product of the profession which has been a satisfying but tough life. He is a good-looking, well-built, friendly, cheerful, but subject to bouts of depression, easily scarred by criticism, and permanently marked by the battering he took in a couple of years ago when Tommy Docherty, his manager at the time, was one of a number who said: "He can't play." Mr Docherty transferred him to Norwich, and he has been playing ever since. He is a forward, a striker, a goal-scorer, a player who has been called "the best of the best" by some of the game's leading figures.

MacDougall's first season at Norwich was a success. He scored 11 goals in 18 games, a record for a new signing. He was also named as one of the best players in the league. He was a key player in Norwich's promotion to the first division. He was a player who was always in the news, a player who was always in the headlines. He was a player who was always in the spotlight. He was a player who was always in the limelight. He was a player who was always in the center of attention. He was a player who was always in the middle of the action. He was a player who was always in the thick of it. He was a player who was always in the heart of the matter. He was a player who was always in the eye of the storm. He was a player who was always in the line of fire. He was a player who was always in the crosshairs. He was a player who was always in the bullseye. He was a player who was always in the target.



Ted MacDougall, of Norwich City; thinking positively.

MacDougall's previous two clubs, who paid £195,000 and £145,000 for his services, expected him to fit into their style and approach. He did not. He was a player who was always in the news, a player who was always in the headlines. He was a player who was always in the spotlight. He was a player who was always in the limelight. He was a player who was always in the center of attention. He was a player who was always in the middle of the action. He was a player who was always in the thick of it. He was a player who was always in the heart of the matter. He was a player who was always in the eye of the storm. He was a player who was always in the line of fire. He was a player who was always in the crosshairs. He was a player who was always in the bullseye. He was a player who was always in the target.

Long and distinguished fixture list lacks only in sponsorship

By Rex Bellamy

Squash rackets, which is developing faster than any other British sport, has been affected by the general recession of commercial sponsorship. Peter Woods, the secretary of the Squash Rackets Association, said yesterday that they were seeking sponsors for three world championships to be played in Britain during the coming season.

They needed between £5,000 and £20,000 for the British open championship to be played at Wembley in January. The world cup, which is the most prestigious of the three, is to be played in the United States, Canada, Mexico, Guatemala and El Salvador.

The United States are holding experimental tournaments with what they call a "summer" tour. The "English" game, says Woods, "has great growth potential in Canada, where it is already popular, especially in summer. But the main problem is the lack of growth potential in the United States is minimal." He added that there was increasing pressure to have an open game within five years.

Woods said that the beginning of another British season, two books have been published which have contrasting aims but both are aimed at the same goal. The "World of Squash 75", edited by Mike Palmer (Queen Anne Press, 132 pages, £2.25 soft cover) is the first attempt to produce an international annual. It is primarily a work of record, though the nature of the information is comprehensive and includes an instructional section by Hidayat Jahan. Photographs of leading players and leading clubs are included. The "World of Squash 75" is a hard cover, £2.95 hard cover, illustrated by Mike Palmer. It is a work of record, though the nature of the information is comprehensive and includes an instructional section by Hidayat Jahan. Photographs of leading players and leading clubs are included.

Card of course

fully that his nephew had failed to make any allowance for the very heavy rain that had passed over the hills. Dr. Briggs told him he was followed by two indifferent seconds, Vincenzo leaving his ball on the green and the "Cannon" carrying everything.

In the opinion of his uncle, "Cannon" had needed nothing more than a little Weaver, to make his shot as little as a seven for his hole shot on a hole where, only a few days before, he had needed a long iron had been necessary, and a long iron had been necessary.

"Cannon" senior, who once played with the "Cannon" in a play-off for the Carroll Cup, said that he does not often see his nephew in action and that what he has seen of him is that he is a very good player.

Yesterday was the degree to which his long game has improved. The "Cannon" senior's striking his home ball, with more distance off the tee than he has ever done before.

While playing in the individual championship tournament, "Cannon" senior jarred his right leg and disturbed an old injury. It is hand yesterday was badly injured and he was not allowed to play this week unless the swelling goes down. Ells Casper was

domestic that a player

Ireland 3. Rest of the World 5.
England 4. France 1.
Belgium 10. D. Hayes, 3 and 2.
Scotland 1. D. Hayes, 3 and 2.
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Keeping a ham's eye on the ionosphere

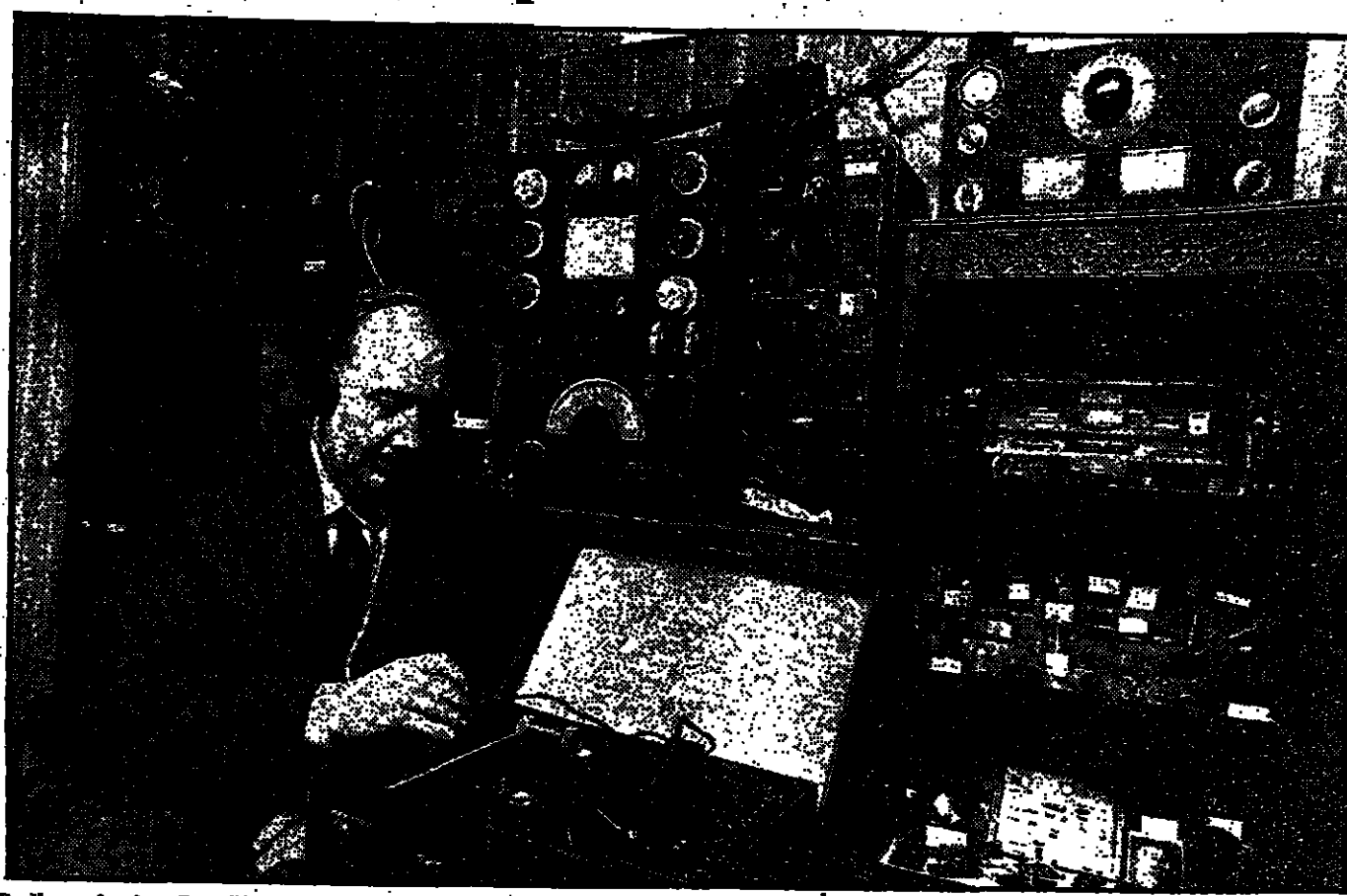
men stopped listening to and prophets, science at the vacuum and invention. If the howling is really a miracle, the twentieth century at any has its worshippers, its d its archaeologists. One most devoted, aptly Ron Ham, lives in a that is gradually dising beneath his collection age equipment from the of Blessed Saint a First World War and

house in Sussex, called House, naturally, like a crazy Christmas a cornered aerials and taster. In the garden the hydrangeas two antenna arrays, aerials track-room wire make keep an eye on the ere with a dish aerial hem in support for Mr a keen student of the ion of radio waves.

ouse is packed like a d with a collection of old rubbish from the wire: bright emitters like silver light-bulbs; ide coils, engineered guffal Lilliputian skill o hams in the early accumulators, batteries early radio fan had to a, to the shop twice a r, recharging.

ain radio room hums bers with continual mes but solar activity from b telescopes; Mr Ham f a handful of private who run their own lescopes. The walls are to the ceiling with radio equipment in packs that old soldiers cher of the two world ould recognize with i, or perhaps even emodion.

is the pioneer 500 watt in the trenches of 4-18 war, in as good or as it ever was, s not saying a great side it rest the famous 38 and the No. 12 for ication betw the Com d Battalion HQ, man- by infantrymen, over out, and for that mat- y back, in the 1939-45 ications exercise. Over the No. 19 set for ich Russian markings, it was constructed for o the Eastern Front. e are the compact sets r commandos, and the re compact sets camou-



Radio enthusiast Ron Ham with part of his collection.

flagged in innocuous suitcases made for SOE agents.

Mr Ham has aircraft radios out of Flying Fortresses, Lancasters, Spitfires, Heinkels, and other famous war-planes, including the radio guidance system out of a V1 Doodlebug. Cabinet components, with early valves and spare parts going back to the historic 1905 Coherer Detector, all arranged as neatly as geological specimens in a punctilious museum.

Ron Ham handles the 1 and rearranges them as engagingly as a boy let loose with the finest toy train set in the world. Next door in the sitting room there is no room to sit down for the rows of early civilian wireless sets and the first wireless magazines piled in a radio antiquarian's treasury. All true hams would recognize and reverence the original Marconi phone V2 of 1923, beside the famous Revophone of 1925,

framed like giant flowers in a cluster of trumpet-tongued horn loudspeakers.

The first home-made sets, beautifully carpentered by amateurs from the first crackle of radio, sit ready to crackle again at the insertion of a coil, the twist of several dials, and much other technology. You had to be a good amateur engineer to listen in those pioneer days: The Oram Music Magnet, all music spent, rests beside the notable McMichael choke.

The Second World War was the war of the radio, as the First World War had been of the telephone, and the Boer War of the telegraph. And one of the reasons that Britain won was that it had and encouraged its happy band of fanatical radio hams. The Nazis dis- couraged amateur radio, be- cause they depended on state rather than free communication,

on propaganda rather than truth. And Mr Ham has, of course, the Standard War-time Civilian Receiver, on which as a boy he listened to *Henry Hall's Guest Night* and *In Town Tonight*, and was first bitten by the overpowering radio bug.

He twiddles those early fast and slow dials, and says with melancholy: "The craftsmanship and some of the fun have gone out of radio with the invention of the transistor. Radios these days are built to be thrown away when they go wrong, not taken to bits and put together over and over again."

His father was one of the original radio licence holders. Ron Ham went into the radio trade from school, and has run a radio and electrical engineering business for the past 23 years. As a hobby he has developed his interest in radio history into an overmastering obsession. He travels the

country lecturing to co-religionists of the radio waves, and writes regular learned articles for the magazines.

He explains the attraction: "Radio is a piece of history that has been written in my lifetime. It is a great chapter of the British past, because for most of the time our radio research has led the world."

"Within 50 years we have travelled from the first crackles from these lovely but primitive pieces of equipment to the transistors that enabled man to be sent to the moon."

Ron Ham hopes that one day there will be a national radio museum, so long as he does not have to surrender his dearest treasures to it. In the meantime he and other antiquarian hams are preserving and cherishing the improbably magnificent machines of our radio heritage.

Philip Howard

More mobility for the disabled

Ministers past and present have been under fire about the mobility help given to disabled drivers. I welcome the controversy. For at least it provides an opportunity to explain the aims and origins of the Government's new policy.

With the change of government, in March 1974, we inherited a mobility scheme for the disabled that was, by modern standards, totally indefensible. The invalid trike was the main provision, and one effect was to disqualify anyone who could not drive. To hold down costs, the vast majority of severely disabled people were excluded from any mobility help at all. Four-wheelers were seen (and rejected) as the thin end of a wedge that would enormously increase costs by allowing into the scheme the disabled non-driver who could nominate someone to drive for him or her.

Thus the scheme we inherited was founded on a cruel anomaly. Help was not based solely on the disability of the individual: it was conditional on his ability to drive. If you were unable to drive (or too young to drive) you were out in the cold no matter how severe your disability. The idea of a cash allowance for disabled non-drivers was also rejected on grounds of cost. Most disabled people cannot drive and my predecessors found it both convenient and cheap to relate mobility help strictly to ability to drive.

At the same time, Sir Keith Joseph had kept secret the findings of his one-man inquiry into the policy he administered. Lady Sharp's report on mobility for the disabled had been in mothballs at his ministry for over five months when Sir Keith left office. The results of tests on the trike undertaken by the Motor Industry Research Association (MIRA) also lay hidden from Parliament, the press and the public.

Both Lady Sharp's report and MIRA's findings were quickly published after we took office. Clearly, we had a duty carefully to consider the Sharp recommendations. I felt that we should also consult the disabled about both the recommendations and their own priorities for policy changes in the mobility field. They knew my aims, but

I wanted to consult genuinely and meaningfully by talking with the disabled and not at them.

When I consulted them, it was most strongly argued by the disabled and their organizations that all discrimination against the non-driver must cease forthwith. Lady Sharp's views were widely criticized. Mistakenly, many disabled people had thought her report was a statement of government policy and protested bitterly against her criteria for mobility help. Again, it was made abundantly clear to me that there would be a continuing demand for the trike from disabled drivers who either wanted or, because of the nature of their disabilities, needed this type of vehicle. The option of a four-wheeler was supported, but not on Lady Sharp's terms. In her report, she had said: "Even if cost were not a consideration, I do not think a car could properly be issued to the physically disabled on the same terms as a vehicle specially designed for their sole use."

By contrast it was argued by the disabled that, if cars were to be made available, they should go not only to restricted categories of disabled drivers but also to upwards of 100,000 non-drivers who could nominate other people to drive for them. Yet it was also argued that a government-issued Mini was not what was wanted. I was told that no standard car would be acceptable, because the disabled are not standard people.

Equity and flexibility were much the strongest themes of the advice I received from the disabled themselves. I became convinced that equity, like flexibility, could only be achieved by cash and not cars. There is a case for providing disabled people with a prosthesis which they specifically required or regarded as essential to their mobility. But in equity there can be no case whatever for giving a car to a disabled driver if you are not prepared to do the same for a more severely disabled non-driver who can nominate someone to drive a car for him or her. Yet even this would give nothing to those who have no one to drive them around.

This is why we opted for a mobility allowance payable, on equal terms, to disabled drivers and non-drivers, alike. Our decision will treble my Depart-

ment's expenditure on mobility for the disabled. For the very first time, we shall be giving mobility help to an extra 100,000 disabled people. They include large numbers of severely disabled children whose plight was mocked by the scheme we are now in process of scrapping.

The great advantage of giving money, instead of hardware, is that people can spend it as they like. Those who can't drive, like those who have no one they can ask to drive for them, can club together to go on outings or perhaps take their first-ever holiday. Or they can spend it on extra comforts at home to compensate them for the outdoor mobility which is beyond their reach.

The mobility allowance has been set at £260 a year taxable. If the allowance had been tax free, it would have had to be set at a much lower rate to keep within our trebled budget of £39m. Our aim in taxing the allowance is to give most help to those most in need. I have been told that a direct means test would have been preferable to taxing the allowance. But we believed taxation to be the least offensive method of helping in proportion to need. We also took the view that a direct means test would deter large numbers of disabled people from applying for the help which is now their right.

We shall be helping, in the new scheme, more than three times as many people as we are helping now. Giving help to those who can neither walk nor drive including severely disabled children, is a major breakthrough in the mobility field. Moreover, where there are two qualified disabled people in the same household, the taxpayer will be contributing £520 a year to their mobility needs.

It has been welcomed as an important step forward not only by the Joint Committee on Mobility for Disabled, but also by the Central Council for the Disabled, Action Research for the Crippled Child and many other organizations. We shall be seeking not only to protect the scheme against all the demands for savage expenditure cuts, but also to build upon it as soon as we can.

Alfred Morris

The author is Minister for the Disabled.

Having a better time in Bulgaria

not want to challenge what Mr Scargill told the *Yorkshire Post* is experiences in Bulgaria—a tirade ended with words which echo what y other disenfranchised left wingers id, and in other communist coun- If this is communism, they can

argill's account of his unfortunate ces had the ring of sincerity and He paid £345 for the holiday he family did not enjoy and he has th to create if he thinks he was nged (literally, according to his

have just returned from a visit ria. Though I did not share the s suffered by Mr Scargill—over- hotels, the voucher system of d being rooted by shopkeepers or without criticism, and I will m here, in the spirit in which eels free to criticize a friend. h I was a guest of the Bulgarian nt, I am not obliged to become ic relations officer. But my im- are so much more favourable Scargill's that fair play (the one th which I found Bulgarians still "exhausted" country) demands ic account of the more accept- of Bulgaria.

se, the *raison d'être* of my tour different from that of Mr Scar- January, 1973, *The Connoisseur* devoted an entire issue to the niques of Poland. Although I ditor in that month, and was not responsible for the issue, of the credit for it. It was later that we might care to devote issue to Bulgaria. While I did o be committed to that, I agreed some articles on Bulgarian anti- specially on the great Thracian tion which opens at the British n. January 7. To stimulate my n the country further, Mrs Zhivkova (daughter of the Bul- sident, and herself chairman of ittee of Art and Culture) in- spend a fortnight in the coun- west of the Bulgarian govern- w to Sofia on September 3. Sight I sat next to a German oing to a trade fair in Plovdiv, en to Bulgaria before and told s important thing to remember algarins nod when they mean shake their heads for "yes", a country where a nod is not i wink.

mit that my first impression a night have confirmed Mr wroy view. They managed to gage in Sofia airport, and I 've it until the next morning. ountered at once the unfur- of what is otherwise conspi- garian character—their happy- ure. It also ensured that on- ons the committee failed to hotel room in advance; so one e in a city tired after a long y have to argue oneself into a y, the guide who accompanied out the tour, a 22-year-old stu- Theodora Todorova, was always resourceful on these occa- unding to see managers and "I shall report you to the"—a threat as effective in the phrase recommended by house for instant blackmail in "I know your guilty secret!" should try it. But this carefree so means that there is no over customs examinations, re perfunctory smiling

I stayed in four hotels altogether: the Grand Hotel Bulgaria, in Sofia; the Hotel Leipzig, in Plovdiv; the Hotel Schipka, at Sunny Beach on the Black Sea near Burgas; and back to Sofia to end my stay in the best hotel in Bulgaria, the Grand Hotel Sofia. I was well content with all of them. The Hotel Bulgaria, almost opposite the National Gallery which was once a residence of the Tsar, and also nearly opposite the little Russian church with its gilded onion topknots, was like an old-fashioned Parisian hotel.

I had a well-appointed room, extremely well lit, and with a separate bathroom. Admittedly you could have written most of *War and Peace* while the bath was filling; but the thin trickle from the hot tap was scalding, and the water from the cold tap of the basin was deliciously cold, like spring water, and I drank quantities of it, against the dire advice of every xenophobe I have ever met. The lavatory worked—ferociously—but I must award low marks for lavatory paper, small thick squares of yellowish paper, which Daumier might have used for his less perishable sketches. There was a television set which produced a wan, flickering picture (apparently of nudists fishing when I turned it on) and wireless set which on many channels played stirring revolutionary anthems.

The next two hotels, the Leipzig and the Schipka, had no baths, but showers from which the water gurgled horribly away down a hole in the corner of a sloping floor. The Schipka—which is not as good an hotel as the Cuban, also at Sunny Beach, but is nearer the front—is one of a cluster of new, somewhat characterless, but convenient skyscraper blocks. Its best feature was a sun balcony with a rocking-deck chair, a sybaritic refinement hitherto unknown to me. The Grand Hotel Sofia was up to the highest standards of the top American hotels (Beverly, Wilshire, Los Angeles; Fairmont, San Francisco) which it closely resembles. It is run with both efficiency and charm. The room service is excellent, and if you leave a breakfast order-form on your doorknob at night, the meal arrives at the time requested in the morning. The only irritation was a telephone in my room which beeped continuously through the night like a high-pitched heartbeat. I buried it under the bedclothes of the second bed in my room, and forgot about it. I suppose the maid thought the mad Englishman put the telephone to bed at night.

Food was never quite up to the standard of good western European cuisine, but that was an allowance I expected to have to make, and did. As a hearty breakfast, I had a large omelette. Consulting the phrase-book, in the Hotel Bulgaria, I demanded *shouunka i paysta*. The waiter leaned over my shoulder and peered into the book. "Ah 'Em and eggs!" Lunch—often a spicy rag of veal or some other meat, often begun with a *Mayakya* (massic brandy, similar to pernod) and was accompanied by a light white wine, *myaketa*. The red wines I tried were heavy, too sweet and bestrooty.

I recommend the Russian Club in Sofia, which like the fashionable St Club in New York is not a club at all, but a good public restaurant. A delightful place with a courtyard covered with intertwining branches like a magnified version of the pleached walk by Kensington Palace. Here the meal began with a gherkin and cheese salad and with yoghurt and cucumber soup.

The best restaurant I was taken to—allegedly the best in Bulgaria—was the marvellous Poldin Restaurant on the edge of the old town in Plovdiv. It is strongly tinged with Ottoman influence (make sure you order Turkish coffee) as is the

old town itself, more like a setting for Mozart's *Seraglio* than for a trade fair. For the restaurant of the Hotel Cuban at Sunny Beach there was quite a queue, superintended by a major-domo in scarlet Russian uniform. Here Theodora met her Waterloo, for when she tried to queue-jump by telling the manager I was an "important Western journalist" he replied: "It is a crime you did not book a table! I shall report you to the committee!" However the meal was worth waiting for.

But it was the private hospitality that meant most to me in Bulgaria. The generosity of the people I met, mostly for the first time, rivalled that of the Americans. One was made a friend at once—and they freely assumed a friend's licence in making teasing criticisms of England, and sometimes a friend's trust in making criticisms of their own regime. (The main three criticisms they made were first, the restrictions placed on foreign travel; secondly, censorship of their press; and thirdly—a complaint which smacks oddly of socialist complaints here about the old school tie—the undue use of influence in giving jobs, with privileged opportunities for children of high-ranking officials, and with too little public advertisement of positions.)

Nothing seemed too much trouble for my hosts. When we visited the Artists' Union in Sofia (a splendid spacious building with restaurant and exhibition rooms, of which there is surely no equivalent for working artists in London) an exhibition of posters about Cuba had just been dismantled; but the staff insisted on showing them to me none the less, holding each one up for a truly private view.

I happened to mention to one of the staff, Mr Dimitar Dimitrov, that I had admired a poster for a shooting competition which I had seen at the airport while retrieving my luggage. "Ah, that's by Stefan Nenov," he said. "He is a personal friend of mine. Let's go round to his house and see if he's in." Nenov, at 33 one of Bulgaria's leading artists, was at home in his flat—a flat so much grander and more lavish than mine that I am well convinced Bulgaria looks after its artists properly. Nenov showed us all his posters, and gave me several (including one banned by the government as "too impressionistic"); he also plied us with vodka and biscuits and showed us the many brilliant medal designs he has made for sporting events. All this was casual and unplanned; the same applied to the less good things that occasionally happened!

It is only in attempting to answer Mr Scargill that I harp on the domestic trivia, or private entertainment of my visit. For I would have been prepared to sleep rough to see the scenic, artistic and architectural splendours of Bulgaria; the beautiful Bachkovo Monastery in the Rhodope Mountains; the Byzantine remains of Nessebur; the icons in Sofia Cathedral crypt; Lake Pansovo; the little Boyana Church in the Vitosha Mountains, of which the thirteenth-century frescoes anticipate Giotto.

The roadside lavatories may be indescribable (but so are French ones: a Harpic salesman would starve in either country); there are jellyfish in the Black Sea (but at least they enabled me to use the most melodious phrase in the book: "I'ma Medousa!"—Here be Jellyfish!); and the black marketers spurn English pounds (as I learnt when one approached me but turned away in disgust on finding I was not a German with Deutschmarks). Let Mr Scargill stick to Blackpool if he wants English values for his English pounds, stingless seas and lusty flushing.

Bevis Hillier

Since the early 1960s South Korea has enjoyed one of the highest rates of economic growth in the world. This Special Report traces the pattern of industrial and social development during that period and shows how the Koreans are coping with the present worldwide recession.

Richard Harris begins by examining the country's internal politics and its relations with the communist North

Republic of Korea

It is a country that defies as much effort to be understood as China or Japan. It is a country that has not attracted special attention, any more than did the fourth member of the East-Asian quartet. It is a country that has not attracted special attention, any more than did the fourth member of the East-Asian quartet. It is a country that has not attracted special attention, any more than did the fourth member of the East-Asian quartet.

late nineteenth century and went on unimpeded by any western competition after Japan's rule was fastened on the country in 1910. When that rule ended in 1945, two million of the pariahs of China and the rule of Japan were not followed by Korea's unified independence but by a newly imposed division and by fresh patronage from outsiders: for the communists north and the anti-communists south.

In a sense Koreans have found this patronage both customary and supportive. The habits of the past have survived and when a new creed came to replace the Government in Pyongyang it was easy—indeed, it was natural—for anti-communism to be adopted as the appropriate political confidence. The Korean War from 1950 to 1953 simply fixed the antagonisms of north and south firmly.

But in the past three years the Koreans have seen that the new world imposed upon them in 1945 has been fast dissolving. The American detente with China was the first blow to make their allegiance seem insecure; the ignominious collapse in Vietnam last April was the even more disturbing sign that South Korea's security and survival might be under threat.

Independence and self-reliance is a much easier posture for the communist north. Given the break between China and the Soviet Union's North Korean ally, the independence of both was a natural course. No such independence seems possible for South Korea. The powerful economic links with Japan and the western world, that have grown during the economic success story of the past 15 years have not been matched by a growing political confidence that could adjust happily to recent changes. On the contrary, Korea's uncertainty demands not only the continued presence of American troops but also a growing political confidence that could adjust happily to recent changes.

More, opposition to government runs against Confucian principles and that is equally a traditional attitude. Any westerner will naturally sympathize with the small, westernized elite that looks towards western democracy as a political inspiration; yet any student of East Asia will see how the tragic conflict comes to be resolved. The process of political change is bound to be a slow one.

Does this mean that the failings of South Korea's political life could curb its astonishing economic advance? The answer seems to be no. Whatever impediments the country is now suffering are not attributable to any internal political crisis. In Korea as in Japan the demonstrated student needs only a few years to be transformed into the efficient company executive. And for the most part the abilities of well educated Koreans are used whether as government planners and technologists or as servants of private enterprise; government and business are as closely linked in Korea as in Japan.

What the Koreans do make much of, as the black cloud hanging over them, is the threat from the north. After the collapse of South Vietnam what role force might play in the North Korean regime—like the North Vietnamese—relies the power of standing between the two and refusing to take sides in the Sino-Soviet dispute; but were Mr Kim Il-sung to side entirely with one or the other he might have more hope of getting that country's backing in a forward policy looking to speedy reunification.

From all the scraps of evidence it would seem probable that the North Koreans have been told that they would not enjoy either Chinese or Soviet backing at this point. Moreover, it is worth recording that Mr Kim Il-sung insists that he has no plans to invade the south; he still likes to imagine that a "democratic" revolution in the south against the Park Chung-hee regime is likely to boil up and reunification could then be peacefully brought about.

Exports are top priority

by Clifford Webb

an economy so dependent on exports as that of Korea, 1975 is proving a real test. The recession in almost every market in the world has not only reduced demand for many products but has also tightened the hand of the "reactionists". Action by governments to restrict or even ban imports on a scale could throw the South Korean economy out of balance.

The third five-year plan also tackled another weak spot in the economy and the source of considerable import problems, the country's dependence on foreign heavy and chemical industries such as iron and steel, non-ferrous metals, basic chemical products, ship building and heavy machinery.

A look at Korea's exports indicates why the drive to provide heavy industry at such an early stage in the life of a developing country is imperative. Since 1962, export products have risen from 18,000 items to more than 12,000. In the same period, Korea has increased the spread of its overseas markets from 33 countries to more than 125. A large percentage of these exports are accounted for by the processing of imported materials.

Of the 1975 export target of \$6,000m (about £3,000m) manufactured goods will probably account for 91 per cent. Given this sort of capability to convert other people's basic materials into products which are competitively priced on world markets, the Korean's were talking of an export target of \$10,000m by the early 1980s.

In today's depressed conditions that would seem to be little more than a dream. But not to Korean industrialists and government ministers. They point out that while international monetary problems have set many industrialized countries so far back on their heels that they are experiencing genuine stagnation, Korea is still expecting, and is on target for, an economic growth of 6.8 per cent this year.

The achievement of this growth target is directly tied to the country's ability to raise its exports from \$4,700m in 1974 to \$6,000m in 1975. Success will largely depend on the extent to which Korea can vary its export pattern.

After the United States, Japan is Korea's biggest market. Japanese imports of Korean goods are down by 30 per cent. Between them these two markets account for no less than 70 per cent of the country's total exports. It is the present attempt to diversify into European markets that is causing friction between Korea and the European Economic Community.

The EEC has unilaterally imposed restrictions on some eight classifications of Korean textiles. This action followed long negotiations in Brussels at which the Koreans seemed determined not to compromise.

But in talks with government ministers in Seoul recently it became clear that their apparent inflexibility was the negotiator's tactical ploy of testing out the strength of the opposition. They now accept that compromise of the form of voluntary quotas is inevitable.

The great danger for Korea—and one perhaps not fully appreciated at government level—is that by adopting such tough tactics at an early stage in their European export programme, they may have soured relations with potential customers for a much wider range of goods than just textiles. They are fully alert to the perils that face them in breaking into new markets if they are thought to be "another Japan". Aggressive Japanese marketing has brought tremendous success in Europe with a whole range of goods from electronics to cars. But it has also led to the installation of more advanced early warning systems. What the Japanese set away with at a similar stage in their European export drive will not be open to the Koreans—and they know it.

However, Koreans have a strong counter argument. "Unlike the Japanese," they maintain, "we are prepared to share the cake. While their growing industry was largely closed to foreign investment until it was well established, ours has been open to outside investment from the very beginning. Not only has it been open to foreign capital but we have made big efforts to attract it."

Like Britain, Korea has a major balance of payments problem with which it has learnt to live. Unlike the British situation, however, the Korean trade deficit is brought about by deliberate government policy designed to speed the country's industrialization.

Last year the Korean trade deficit amounted to \$1,800m. Although exports increased by 39 per cent, imports shot up by no less than 63 per cent, reflecting the sharp rises in prices of oil and other raw materials. The result was a worsening of the current account balance, including invisible trade, to \$1,839m. There was a sharp increase in bank loans as well as borrowings and this led to a small drop in exchange holdings.

On January 14 the Government introduced presidential emergency measures. A series of price adjustments were made to absorb the damp aggravated inflationary pressures from import costs. At the same time, domestic demand was reduced with tighter credit controls. Interest rates on savings deposits were raised.

The financing periods of loans for export supports and stockpiling of major raw materials were extended for compensation. Restrictions on foreign export demand and cash flow problems.

Only a month earlier the Korean won had been devalued by 21 per cent against the dollar and an advance import deposit scheme was enforced. As a result of this prompt but far from popular package inflation is now running at a rate of 23.5 per cent compared with last year's 42.1 per cent.

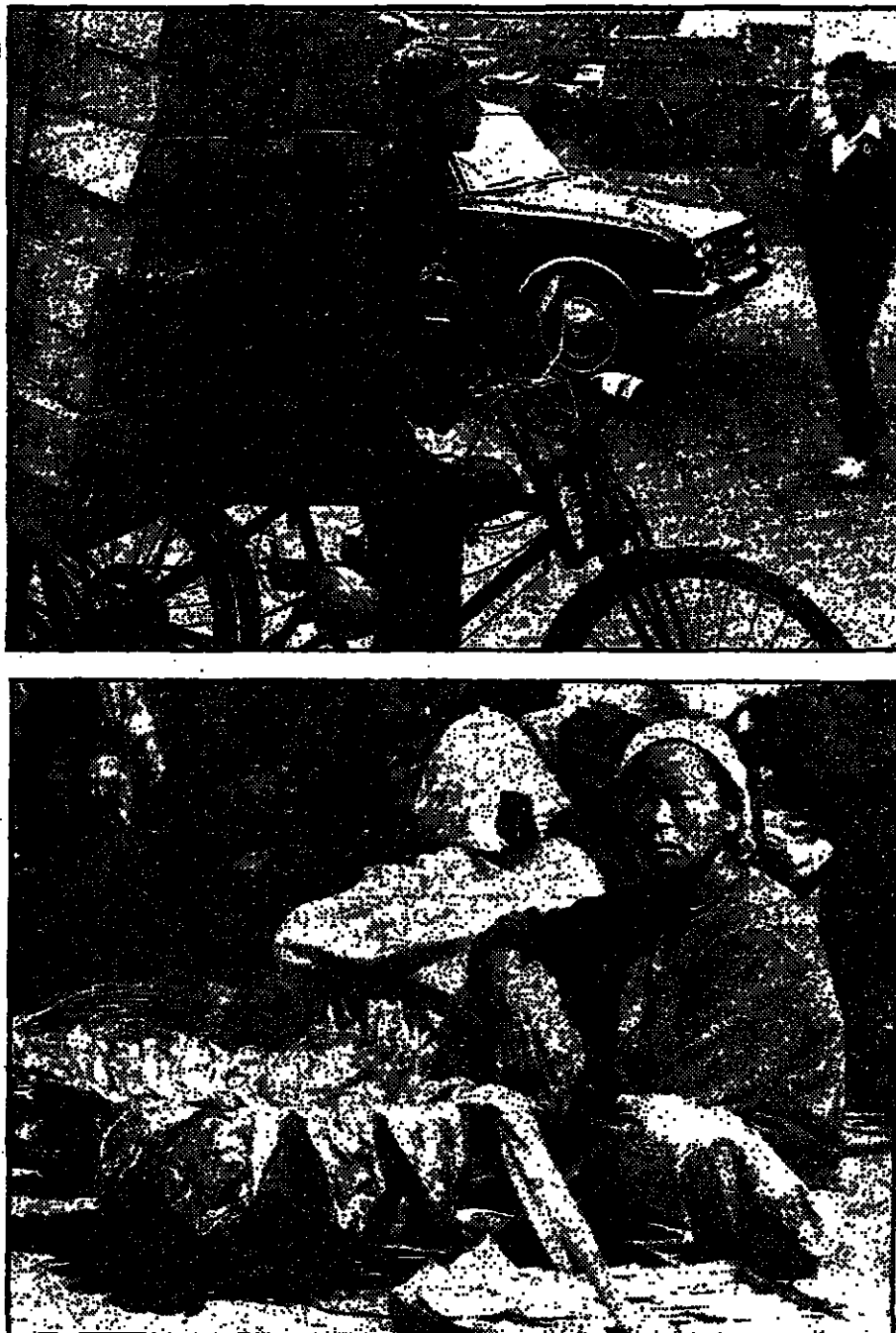
There is growing optimism in government and private business circles about the returning flow of foreign investment—one of the pillars of an economy—which has achieved a remarkable growth rate of 10 per cent annually since the early 1960s.

In 1973 direct investment from overseas sources amounted to \$143m. Last year this fell by 13.4 per cent to \$124m, largely because of the sharp recession in the United States and Japan.

South Koreans are noted fishermen. This man (left) sells his dried and salted fish in the Suwon market place. Top: bicycle porters easily negotiate Seoul's congested streets. Right: schoolboys wearing their military-style uniforms.

| Exports to Britain | | | | | |
|--------------------|--------|-----|--------|------|---------|
| Unit: 1,000 US\$ | | | | | |
| | 1972 | % | 1973 | % | 1974 |
| and its | | | | | |
| soles | 3,822 | 14 | 5,428 | 8 | 11,090 |
| shoes | — | — | 559 | 0.8 | 2,564 |
| fabrics | 1,384 | 5 | 6,505 | 8 | 7,728 |
| textiles | 6,264 | 18 | 3,048 | 3.8 | 3,521 |
| clothing | 586 | 2 | 2,257 | 2.8 | 5,744 |
| clothing | 1,078 | 4 | 6,780 | 8.4 | 10,039 |
| clothing | 6 | — | 20 | — | 2,478 |
| clothing | 2,801 | 10 | 9,973 | 12.4 | 18,478 |
| clothing | 441 | 2 | 3,891 | 4.8 | 4,037 |
| clothing | 15,576 | 18 | 15,870 | 19.5 | 16,836 |
| clothing | 1,177 | 4 | 2,594 | 3.2 | 2,583 |
| clothing | 6,420 | 23 | 22,666 | 28.3 | 20,721 |
| clothing | 28,218 | 100 | 80,405 | 100 | 117,561 |

manufactures of steel, toys and sports equipment.



South Koreans are noted fishermen. This man (left) sells his dried and salted fish in the Suwon market place. Top: bicycle porters easily negotiate Seoul's congested streets. Right: schoolboys wearing their military-style uniforms.

New community movement scores success in rural areas

by Michael Johnson

In the past 15 years since the start of the first five-year economic development plan in 1962, the per capita gross national product of Korea has risen from about \$60 to \$500. Industrialization has proceeded at a rate undreamed of in the past and real growth (at 1970 constant prices) has averaged more than 9 per cent a year during the period.

The fruits of this growth are easy to see in the cities and industrial areas of the country. In the rural areas, however, it is difficult to judge how much the people have profited from this development surge. There are more homes with electric power, almost every family has a transistor radio, roads have been improved and highways have been built.

But these are just the superficial trappings of development. Although the ratio has been declining in recent years, more than one half of all Koreans still earn their living in the primary industrial sector, some 40 per cent in farming. Overall economic development plans, however, have concentrated on industrialization with the result that, while the secondary and tertiary parts of the economy have grown rapidly, the primary area—and the people engaged in it—have lagged far behind.

Five years ago President Park called on the Korean people to join together in a "spirit of self-help, self-support and mutual cooperation" to stamp out the backwardness and centuries-old poverty that had hobbled the country's majority rural population. In the spring of 1971 the Saemaul movement came into being in about a half of the nation's 35,000 rural communities. Today it encompasses the entire country.

Saemaul (pronounced say-ma-ool) means literally "new village" but the movement extends far beyond the rural sector for which it was originally created and now covers every level of society. Hence the wider scope of the name "new community movement". Nevertheless, the most remarkable successes have been scored in the rural area whose inhabitants it was designed to benefit most.

In essence the programme has three distinct, though not necessarily separate, phases: environmental improvement, technical improvement in farming and fishing, and profitable use of off-season time through the creation of local industries. In the first phase rural inhabitants work on projects such as road widening, replacing thatched roofs with tiles, digging sanitary wells, building small bridges and the like. The second phase deals mainly with methods to improve yields, reclamation of farmland, agricultural mechanization and so on.

Concurrently, the officials estimated that more than 19 per cent of the farm family's income came from "non-agricultural activities", an area that certainly includes the Saemaul factories, although exactly to what degree has not been specified. Be that as it may, the long-term government plan is for this general "non-agricultural activities" area to provide up to a half of the 1,400,000 won average annual income projected for farm families by 1978. For this to happen the factory programme will have to play an important role.

The Saemaul factory development programme assumes even more importance when examined from the demographic point of view. In an effort to increase food production to attain total self-sufficiency the Government is actively encouraging mechanization of agriculture wherever possible. This reduces the number of persons needed to work on farms and adds to the potential influx of generally unskilled labour to the cities.

The establishment of factories in the countryside, therefore, in addition to providing gainful occupation for farmers during the off-season, also creates full-time employment opportunities for local residents who might otherwise descend on the already overcrowded cities.

In this context the Ministry of Agriculture and Fisheries recently reported that the farming population dropped 8.1 per cent from 14,645,000 in 1973 to 13,459,000 in 1974. The number of farm families decreased by 2.3 per cent from 2,450,000 to 2,381,000 in the same period.

Officials cite the reduced birth rate due to increased emphasis on family planning projects as being partly responsible. In the main, however, they recognize that movement away from agriculture into the manufacturing and service industries was a prime reason. In present-day terms that means moving from the farm area into the city.

The Government has designated this year as "leap year" for the Saemaul movement and is budgeting 160,000m won (more than \$320m) for a wide range of projects. Officials admit that a number of these will be make-work programmes designed to provide some sort of useful employment for persons made idle by the recession.

"There is no unemployment compensation in Korea," an official explained. "We cannot afford that luxury yet. But neither can we afford to have great numbers of people wasting time doing nothing when there is so much that needs to be done. So the Saemaul movement is in a way also a social welfare programme, but a social welfare programme under which all of society, the taxpayers as well as the recipient, benefits."

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Wage rates among lowest-and strikes illegal

by Clifford Webb

Foreign companies operating in South Korea describe their employees as among the most hard working, loyal and quick to learn in the world.

Foreign engineers supervising the installation of new plant and machinery here the first to discover this. They arrived with pre-conceived target dates for completion based on the standard practices of their own countries. Despite the language difficulties, which become even more frustrating when dealing with technical terms, they quickly found that what had seemed impossible at home was happening every day in Korea.

Young graduates buckled down to work that would normally fall to them only after many years of painfully achieved promotion.

If South Korea's 11 million strong labour force is the key to the country's development, it is also a potential source of trouble. Wage rates are among the cheapest in the world. Strikes are prohibited by law and the trade unions are a shadow of their western counterparts.

How long will such rigid control be acceptable to a people who are enjoying the fruits of rapid growth? Many western observers believe that more democratic labour relations must come, however slowly, if South Korea is to become a great trading nation.

Widespread use of casual labour

Since last year unemployment has risen from 4.1 per cent to 6.1 per cent with textiles and electronics taking the brunt of the recession in world markets. But if these levels of unemployment seem low to European eyes, it must be remembered that the South Korean yardstick for full employment is 18 hours a week. There is widespread use of casual and part-time labour which falls well short of our standards.

In theory every worker has a right, protected by law, to join a trade union of his choice. In fact many employers do little to disguise their dislike for union membership and refuse to employ trade unionists.

It was not until 1948, after the Second World War and 30 years of Japanese colonial rule, that trade unions in the modern sense were organized in Korea.

Article 29 of the constitution declares that "workers have rights to independent collective organization, collective bargaining and collective action". On the basis of this the Government was preparing to draft the necessary laws and regulations when, on June 25, 1950, the North-South war broke out.

It was not until 1948, after the Second World War and 30 years of Japanese colonial rule, that trade unions in the modern sense were organized in Korea.



Girls working in an electronic parts manufacturing plant on the Gurodong Industrial Estate in Seoul.

broke out. It was not until three years later, just before the ceasefire, that the Labour Union Law, the Labour Dispute Adjustment Law and the Labour Committee Law were enacted.

Two political revolutions, in April, 1960, and May, 1961, prevented any real progress in the South Korean trade union movement. There was a step forward, however, when company unions were replaced by industry-wide unions.

Today there are 17 industrial unions but their total membership is only some 550,000. The strict labour laws permit the Government to break up any union which "considers has become a threat to the safeguarding of public order."

Workers are nevertheless being given increasing protection against unscrupulous employers. In theory the Labour Standards Law, which controls working conditions applies to every

company employing 10 or more workers. In practice enforcement is almost impossible because of the problems of inspection in much larger enterprises.

Hours of work are in principle eight hours a day and 48 hours a week. However, this is frequently ignored and there is unlimited overtime when trading conditions warrant it.

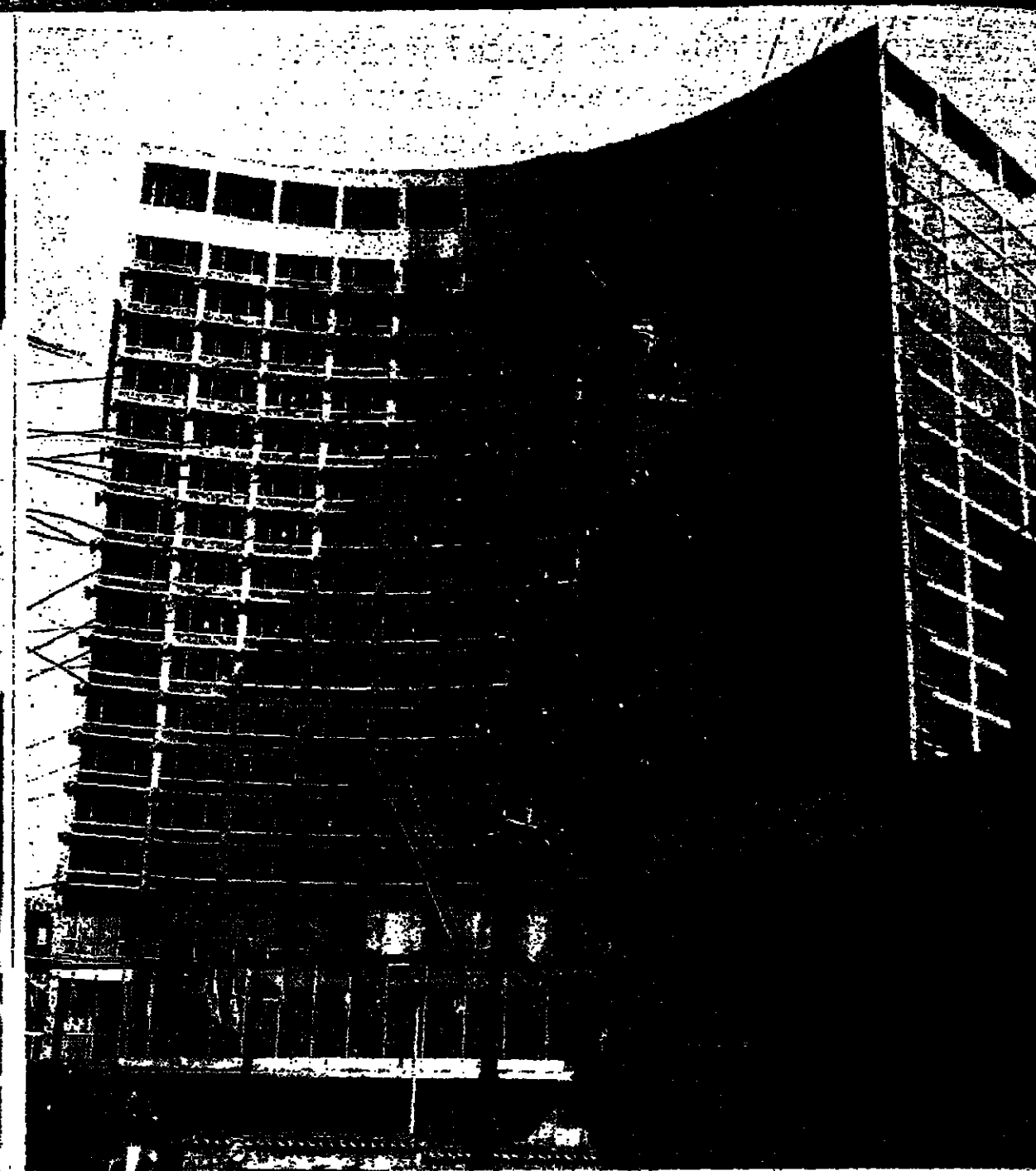
There are a number of special provisions for the protection of women and minors. The minimum working age is 13, when compulsory education ends in Korea. Women and children under 18 are not allowed to work at night or on general holidays. But employers can, and some do, obtain permission from the Ministry of Health and Social Affairs to breach this regulation.

There is 60 days' leave with pay for childbirth and mothers with an infant under one year can take two 30-minute periods each day for feeding and nursing. Government officials insist that such a draconian measure was necessary for two reasons: to prevent the economy being unhinged by irresponsible action, and to stop the Communist North from gaining any economic or propaganda advantage.

The deterrent apparently achieved its purpose. According to official Government sources no one has yet been sent to prison for striking.

Wages increased by 30 per cent last year and are expected to go up by a further 22 per cent this year. But they are still low by western standards. For instance the average wage in the huge textile industry is about £10 a week.

Nevertheless the outward signs of a consumer society are plainly visible—masses of television aerials and the western teenager's standard uniform, jeans and casual shirts.



Seoul's most fashionable hotel, the Chosun, with an example of the capital's less up-to-date wiring.

Special incentives led to expansion

by Peter Godwin

South Korea's development reads like a fairy story. People who have never seen it find it hard to believe: those who have find it difficult to stop retelling the story.

After the war ended in 1953, South Korea began to repair the ruins, assisted by the United Nations Korea Reconstruction Agency with a five-year budget of \$1,900m (about £750m) and economic and military aid from the United States.

Little real development took place until 1962 when an energetic new government, anxious to justify itself with economic success, laid out a five-year plan.

The Koreans reconciled themselves to their lack of natural resources and recognized that expansion would depend on importing equipment, raw materials, specialist knowledge and the money to pay for it.

Roads, railways, ports and electric power were tackled first, and between 1962 and 1965 loans totalling \$390m were committed, much on "soft aid" terms (10 years grace, 30 years to repay, nominal rates of interest).

The mechanics for attracting overseas investment were set up under the Foreign Capital Inducement Law.

In 1965 the Government recognized the need to make friends with Japan, which the Koreans had despised during 35 years of occupation. Religious became normal and Japan agreed to make reparations payments.

A cash of \$300m in grants and \$200m in loans was committed by the Japanese Government and the private sector pledged "soft" credits of \$300m.

Standby arrangements with the International Monetary Fund were approved at about the same time and South Korea began to become known internationally as a commercial borrower.

The second half of the decade saw his injection of loan money, increasing

each year to a peak in 1969 of more than \$500m. At the end of that year the total debt figure exceeded £1,500m.

Industrial expansion was dramatic. The textile industry, which just coped with domestic demand in 1960, exported \$100m in 1967 and reached \$1,200m in 1973.

Plywood production became an important export earner, and developments took place in cement, petrochemicals (including fertilizers and synthetic fibres), paper and electronic equipment, largely on imported money.

Between 1965 and 1970 growth in gross national product averaged 10.5 per cent. During that period Britain gave credit, with long-term loans for ships, chemical plants and power generation equipment at the then prevailing fixed interest rate for exports of 51 per cent a year.

All over the world, cheap, long-term credit had become vital in selling capital plant. The Koreans were not slow to take advantage of contractors and their bankers competing to lend them money for projects.

Japan took advantage of the 1965 compensation agreement by using the funds to support the sale of its equipment, and landed many large orders, including the integrated steel plant at Pohang.

The United States was active on petrochemicals and oil refineries, and 1970 saw the contract for South Korea's first nuclear power plant, a vital ingredient being a 20-year loan "package" agreed by the United States and Britain.

American and Japanese companies saw the attractions of special incentives offered under the Inducement Law, and took stakes in new Korean industries, with their energetic and, once trained, reliable labour force seldom proved disappointing.

About \$700m has been invested by Japan and America (about 25 per cent

of total outside investment), with Japan subscribing the United States after a peak of \$200m in 1973 alone.

Priority has shifted in this decade to heavy and chemical industries in order to broaden South Korea's industrial base. Loans from international agencies and export credits have continued to play a vital role supported by regular calls on the Euro-dollar market.

Shipbuilding was selected for heavy development and British export credit was provided to support the sale of equipment for the new Hyundai shipyard.

European companies have electrified sections of the Korean National Railways and Japan supplied the equipment for the first section of Seoul's underground railway. South Korea's seventh fertilizer complex is under construction by American contractors at Yosu, supported by loans and investment. Mitsui and Dow Chemical are investing in a petrochemical complex near Yosu.

Since the rise in the price of oil the Koreans have had to deal with inflation and recession. The general contraction in the Eurocurrency market made loans from that source harder to get and recent nervousness over the intentions of North Korea have caused lenders to be cautious.

The early months of this year were grim, with a dearth of export orders and a mounting balance of payments deficit. Last spring, however, saw orders picking up, particularly in the depressed textile market.

In May and June, there were small trade surpluses, and by the end of July exports had risen to \$2,620m or 43.8 per cent of the 1972 export target of \$6,000m.

The increasing rate of exports encourages confidence that the year's figures will be somewhere near the target.

Development plans have been amended. Shipyard projects have been cut back

and a second big steel plant postponed. However, South Korea presses on and projects like the new industrial complex for light industries at Changwon are attracting overseas investors.

Canada has made up for lost time with a huge loan to support the sale of one of their CANDU nuclear power plants. Phase three of the steel plant at Pohang is proceeding and there is no shortage of contractors bidding, all offering generous credit packages.

In a time of inflation it is hard to compare the value of the loans which they bought. Those who followed a more cautious development policy now envy South Korea's debt burden, of course, but the \$4,200m outstanding at the end of 1974 does not look formidable in the present inflationary world, especially when taking into account the fact that repayment is spread over about 30 years and the average interest rate is in single figures.

One of the keys to the success of South Korea's development lies in its ability to make its plants work at, or near, the designed production rate.

Another factor is its vigorous construction industry, which has been responsible for much of the civil engineering on the big projects. Construction firms have become increasingly successful, winning big orders overseas, including two \$60m contracts in Saudi Arabia this year.

The author is an assistant director, Lazard Brothers, responsible for the bank's business in Asia.

KOREA

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Changing approaches to education

Allied victory in the war freed South Korea from Japanese rule and ended a policy of educational suppression. In 1945, 78 per cent of the adult population was illiterate, but through a massive educational programme, pushed ahead with foreign assistance, it had been reduced to 20 per cent by the 1960s. When the last official census was taken, in 1970, it was down to 11 per cent.

The definition of illiteracy adopted for the purposes of the census was "persons 12 years old and more who cannot read or write their mother tongue, that is who cannot express their own simple ideas in letters".

Although great emphasis has been placed on free and compulsory education since 1945, parents still have to make a sizeable contribution to school maintenance costs and the provision of textbooks.

In the elementary sector classes of 60 or more, lack of modern equipment and outdated teaching methods are causing difficulties.

Koreans have the advantage of a common language, unlike many former colonial countries. Since the fifteenth century, when Korea had a particularly enlightened ruler in King Sejong, the country has used a phonetic

system, the modern form of which consists of 24 letters. Many educationalists consider it to be among the simplest and most concise forms of writing.

More than 16 per cent of the national budget is spent on education. Since 1964 the amount has increased more than tenfold.

The constitution makes elementary education compulsory from the age of six but in practice the desire to go on to higher forms of education is so intense that until recently admission to the next stage—the middle school—could be obtained only after passing severe examinations.

The selection process has been placed on free and compulsory education since 1945, parents still have to make a sizeable contribution to school maintenance costs and the provision of textbooks.

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textile industry is the east and largest in South Korea. It is also the most universal, particularly in those which is now being the brunt of drastic economic adjustments, switch parts from depressed export markets.

Such of South Korea's relations with the European Community rests on its ability to avoid over-competitive pricing in the present circumstances. At the same time, the country's exporters, manufacturers and bankers insist that the present dependence on textiles in hard currency earnings is gradually reduced as the country's diversification of economic activity or a country with an abundance of cheap labour forces inevitable that textiles will continue to be one of the country's main industries to attract domestic and foreign investment after the war ended in 1945. That was not too far from the export boom which also brought the beginning of the local cotton industry.

At the beginning of the 1950s, the industry was still largely dependent on domestic raw materials for production of cheap, however, that by 1955 it was exporting goods to the value of \$24 million a year. By 1974 this had grown to a value of \$1.2 billion and the country's total exports and 34 per cent of manufactured exports.

Initially South Korea's textile exports consisted largely of cotton and woolen fabrics in the second half of the 1950s. It entered a new era with the radical introduction of chemically produced fibres and the manufacture of combined garments.

By 1968 exports of knitted goods, fabrics of those of fibres and accessories to 40 per cent of total textile exports. That turned out to be temporary, and by the 1970s fabrics were again dominant.

Large manufacturers expanded their production facilities at a rapid rate in the case of cotton textiles, fine spinning machines and weaving machines increased from 62,000 spindles and 10,000 looms in 1952 to 1,308,000 spindles and 44,000 looms by 1973.

That was almost entirely because of booming demand from the developing countries. The rate of growth, it should be pointed out, that while the average number of spindles for each factory in South Korea is about 70,000, the international average is about 50,000.

Even more impressive expansion has taken place in the woolen manufacture. The output of cotton yarn has increased threefold, woolen yarn is 20 times greater than it was.

With the installation of a domestic petrochemical industry, mixed spun products have helped to make South Korea the biggest textile producing nation in the Far East.

The parallel development of a chemical fibre industry and a petrochemical industry has also reduced one of the restricting factors inherent in the use of natural fibres, dependence on weather conditions.

The first chemical fibre plant was opened in 1959 by the Mifin Chemical Fibre Company with the production of viscose. Similar new plants have since opened for acrylics, nylon, polypropylene, polyester and acetate rayon between 1966 and 1970.

As a result, daily production capacity expanded from 21 tons in 1966 to 344 tons a day in 1973. By 1970 the output of chemical fibres was more than capable of meeting domestic demand and 69,000 tons was exported.

Most of the raw materials, particularly the all important caprolactam, had to be purchased abroad, using a sizeable part of the country's meagre supply of "hard" currency. However, with the advent of the petrochemical complex in 1973, imported raw materials have been gradually eliminated.

Domestic production of Aroclor, which has been raw material, now supplies about 80 per cent of local demand.

Strangely enough for such a young industrial country, one of the most serious difficulties facing the textile industry is the large amount of obsolete machinery in use. It accounts for about 40 per cent of its spinning capacity, 30 per cent of its weaving and up to 10 per cent of the remainder.

But South Korea is more fortunate than most of its competitors in the abundance of cheap labour. In many cases that offsets the worst effect of outdated plant.

Some of the factory noise levels are frightfully high and unless rapidly improved, will create permanent disability among workers. Until now, however, the restraints derive from a need to provide more and more has been the overriding factor. The present recession in world demand for textile goods must be used as a breathing space to modernize plant.

As always the major criterion is South Korea's ability to finance overseas purchases. The Government's programme and is providing direct subsidies to manufacturers everywhere who need new orders now is the time to buy cheaply.

The Government has established a carefully planned replacement programme and is providing direct subsidies to manufacturers.

The amount avail-

able is severely limited and will leave enormous sums to be raised from private sources.

Koreans are quick to point out that the provision of cash subsidies for modernization is a large export subsidy. To enable their textile goods to be dumped on world markets. They make justifiable comparison with the British Government's massive financial commitment to the modernization of British industry.

Government officials say that there is no direct subsidy—hidden or otherwise—on the export of textile goods and no export price controls. They insist that the Government must employ the most exhaustive systems of price checking to avoid unfair and excessive competition.

But the fact remains that low average wages allow the Korean industrial profit margins to use in winning new orders.

As one Korean businessman put it: "The tougher the going, the better we like it. We are very aware that we must move slowly, particularly in new markets. Our problem is that time is not on our side. We have been serious to success expansion projects for so long and with such success that even the maintenance of our existing export levels is a serious retrograde step".

C.W.

by Peter Hill

little over three years, building in South Korea emerged from almost obscurity to make the country one of the great building nations of the world. It has been a remarkable story of development, aggression, a feat of planning and coordination that even the Japanese find difficult to emulate.

However, it is a promise that has soured. Expansion of the Korean shipbuilding industry could have occurred at a leisurely pace, for the international shipbuilding market is faced with its most serious crisis for years. Demand for new tonnage is nonexistent and demand for large tonnage tankers (for which much of Korean capacity was bred) has disappeared.

It was bitterly ironic that one of Korea's principal yards, Hyundai Shipbuilding and Heavy Industries, which embarked on a huge development programme in March 1970 to build a 15,000-ton large crude carrier from the building dock last November. In that same month the first spate of the all too necessary cancellation of large crude carriers began. In the head days before the Arab-Israeli war, gathered momentum as shipowners began somewhat belatedly to appreciate the scale of the serious over-tonnage which faced the shipping and oil industries.

Faced with the desperate international shipbuilding situation, Korean shipbuilders and government planners have been forced to reconsider further expansion plans which had they gone ahead would have meant a doubled industry to build almost six million tons gross of new shipping every year by 1980. Production on that scale represents an output level five times greater than the United Kingdom shipbuilding industry's average yearly output.

Korea's policy in shipbuilding, using the Japanese performance as a base, was in essence to beat the Japanese on their own game, turning out more ships in larger volumes at highly competitive prices and almost entirely for overseas customers. But the Koreans now find themselves locked in the same vicious competition as the large Japanese yards, and there is little prospect of the picture brightening in the short term.

As a result of the decline in demand for the large oil tankers for which the industry was geared, Korean yards are being forced increasingly to build smaller and more advanced vessels in facilities which were designed for the series production of large oil

banks. This is far from the most economical or profitable use of capacity.

The industry is striving against considerable disadvantages in its efforts to survive. Some yards have been fortunate in attracting alternative vessel types so that there is today sufficient work in hand to keep the busy until 1974, though the delivery period may be shortened further if some of the existing orders for large tankers are cancelled by customers who remain pessimistic about the possibility of obtaining work for their ships.

The output of the Korean industry should continue to grow, although far short of the rate planned less than two years ago. Even so, the performance is impressive.

The Korean shipyard produced a mere 2,000 tons gross of new tonnage; by 1973 it had risen to 14,000 tons (although in the two

previous years it had been 20,000 and 25,000 tons respectively higher). In 1974 production catapulted to 313,000 tons, reflecting the delivery of the first two large tankers from the Hyundai yard at Ulsan.

Hyundai began breaking the ground for its new facilities only in March 1972 and started building its first tanker a year later. Its three huge building docks are now all in operation, although one of the two new docks taken over as a dry dock by its affiliate company, Hyundai Mipo Dockyard, which by next year will be operating two further repair docks.

Hyundai's development involves considerable assistance of British assistance. The United Kingdom consultancy company, A. & P. Appledore International, provided expertise on the design and layout of the company's facilities. Through an agreement reached with the lower Clyde yard of Scott Lithgow, the

South Korean shipbuilding companies trained the Korean personnel and provided its specifications for large oil tankers to be built by Hyundai.

The industry's present order book totals 1,916,000 tons gross with a large part accounted for by Hyundai.

Apart from a series of oil tankers, the largest order to Hyundai is building a number of 76,000 tons deadweight bulk carriers and a series of 15 cargo liners for Kuwait Shipping.

The yard managed to attract 10 of the Kuwait contracts last November and they are being built to a design prepared by the United Kingdom company.

Shipbuilders which collected the first package of Kuwait orders. But the Korean yard captured the follow-on order which Govan had hoped to obtain because it was the only shipyard to accept prompt deliveries it was prepared to guarantee. All 15

were scheduled to be delivered between October next year and August, 1977, a further demonstration of the company's anxiety to establish itself as a builder of more than one type of ship for itself a future outside the large crude carrier construction business.

Another big yard, Da Sun Shipbuilding at Pusan, has three 9,300-ton bulk carriers on order, which it is building for the United Kingdom company of Tameside.

Deliveries between next April and April, 1977. The other main yard at Pusan, Korean Shipbuilding and Engineering, has orders for bulk carriers and oil tankers stretching forward only to October next year.

The company is going ahead with construction of a new yard on the island of Jeju, which on the basis of original plans would have been a new shipyard with a five 300,000-ton oil tankers and six 150,000-ton

two bulk carriers, with a facility to build vessels of up to one million tons. Company officials claim that the project will not be altered completely but clearly will be considerably modified in the changing circumstances.

Another company, Korea Shipbuilding, is also going ahead with a new project on Koje but, instead of two, there will be only one, 80,000-ton oiler building dock. Other projects have been held off beyond the drawing-board stage.

Isibakawajima - Harima Heavy Industries, the large Japanese shipbuilding company, planned to develop a one million-ton facility as a joint venture with the Korean firm Samsung Heavy Industries, but this project has been postponed indefinitely. Other developments planned by Hyundai are not likely to go ahead.

It is the plans which are promoted and instigated by Korea's Ministry of Com-

merce and Industry had been realized. The industry has reached an annual output level of six million tons by 1980, rising to nine million tons by 1985.

Korea's shipbuilding industry is still with its infancy while still in infancy. Companies have shown that they are not prepared to sit by idly until the international economic climate improves and are taking every opportunity to attract new orders and so ensure that expensive facilities are kept in operation. Korea has the advantage of low labour costs compared with other shipbuilding countries. Its determination to secure business, to employ its large labour force and earn valuable foreign exchange can only undermine still further the position of other shipbuilding countries.

The author is Industrial Correspondent, The Times.

From 1962 through 1974, the Korean economy has continued to grow at a rapid pace, which has brought about improvement in industrial structure, increased investment and domestic savings, rapid expansion of exports, and agricultural development as well as expansion of infrastructure.

In 1973, the economy recorded an unprecedented high growth of 16.5 per cent, and in 1974, it still maintained a level of 8.2 per cent even amid the maelstrom of global economic recession and inflation.

Sustained High Rate of Economic Growth

| Year | Percentage of U.S. Population in Labor Force |
|------|--|
| 1962 | 8.8 |
| 1963 | 8.6 |
| 1964 | 6.1 |
| 1965 | 12.4 |
| 1966 | 7.8 |
| 1967 | 12.6 |
| 1968 | 15.0 |
| 1969 | 7.9 |
| 1970 | 9.2 |
| 1971 | 7.0 |
| 1972 | 16.3 |
| 1973 | 16.3 |
| 1974 | 12.2 |

Another highlight of Korea's economic performance has been the promotion of exports. From 1962 through 1974, commodity exports expanded at an annual average rate of 45.2 per cent with a record of 3.3 billion dollars in 1973 and 4.6 billion dollars in 1974. The proportion of manufactured goods to total commodity exports has expanded and the number of export items has increased from 100 in 1961 to a level of 1,200 items in recent years.

1972

GNP
\$ 9.8 BN

1978

\$ 16.8

1987

\$ 36.1

Chemical Industry

Chemical Industry

Chemical Industry

In 1973, the midyear of the Third Five-Year Economic Development Plan, the Korean Government announced the Long-Term Economic Perspectives of the Korean Economy covering the period from 1972 to 1981, since the projects to be undertaken to achieve development of the rural economy, increase exports, and develop heavy and chemical industries, tended to become larger in scale with longer gestation.

The heavy and chemical industry development programme will be carried out effectively with the initiative of the business community and the Government's comprehensive policies, working from the basis of the industrialization achieved in the 1980s. These policies cover the procurement of finance, the development of industrial zones and increasing technical man-power.

Under the programme, concentrated investments will be made in the steel, non-ferrous metals, shipbuilding, machinery, electronics, automobile, petrochemical, oil refineries, fertilizer and other chemical industries. Investments in related industries, to be grouped according to their respective characteristics, will be also induced, and this offers ample investment opportunities.

Seoul City

Favourable Climate for Foreign Investment

The abundant labour force in Korea is considered as one of its most important assets. The well-educated labour force is easily trainable, highly motivated and dedicated to their work, as well as very productive in terms of cost.

The tax benefits offered are considered more advantageous than those of other developing countries, and the Government gives stronger incentives, both tax and banking, for export promotion. In addition, repatriation of capital and remittance of profits are legally guaranteed, and the property of the foreign investor is protected by law.

Infrastructural facilities have been adequately provided in fields of electricity, transportation, communication, industrial water and industrial estates.

THE BANKERS' ASSOCIATION OF KOREA

4. 1-ka. Myung-dong, Chung-ku, Seoul

Chairman : Sung Whan Kim, Governor of The Bank of Korea

- The Bank of Korea (Central Bank)
- The Korea Development Bank
- The National Agricultural Cooperative Federation
- The Cho-Heung Bank, Ltd.
- The Commercial Bank of Korea, Ltd.
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- The Medium Industry Bank
- The Citizens National Bank
- Korea Exchange Bank
- The Korea Housing Bank
- Korea Trust Bank

Korea. Can there be a better place for your money just now?

In the last 10 years, Korea has been one of the fastest-growing economies in the Far East.

The oil crisis did create some hardship, but in spite of it, in 1974 Korea achieved a growth rate of 8.2% in real terms.

The Government of Korea will carry out its long-term economic development plan without any deviation from its original objectives: To build a strong, prosperous, technologically advanced economy.

As a growing economy, Korea offers the ideal climate for foreign investment.

Labour is abundant, well educated, and very hard working. It is also, of course, very productive in terms of labour costs.

However, low-cost labour is just one of the many attractions Korea holds for the foreign investor.

On these pages, you will find many more.

The policy of the Korean government towards foreign investment

It is the policy of the Korean government to actively encourage, protect, and manage foreign capital. We believe it will contribute to the sound development of the Korean economy. It will improve our balance of payments, and help introduce advanced technology to the Korean economy.

Our rules concerning foreign equity ownership

We have no legal limit as to the share of foreign participation in an investment. However, the Korean Government, in granting authorisation, prefers joint ventures to 100% foreign ownership.

1. Foreign equity investment will be allowed up to 50% in principle. But in the following cases, probationary treatment in applying this ownership ratio will be allowed for a certain period of time:
 - a. Entirely export-oriented projects which do not conflict with related domestic Korean enterprises in terms of markets, and which make a substantial contribution to the improvement of technology in the industry concerned.
 - b. Technology-oriented, or so-called 'brain' projects which either produce or induce production for export, or import substituting products that are of utmost importance to the national economy.
 - c. Projects of multinational corporations which are allowed by other countries to be solely owned by foreign investors in order to have exclusive use of their confidential methods of production, business operation, or patent rights, and which are desirable to introduce into the country.
 - d. Projects which are desirable to induce the formation of industrial structures, and which take considerable time to attract local investment due to the capital requirements, technological capability, initial risk etc.
2. Investment projects introduced from a country which has

hitherto made little or no investment in Korea, and which is expected to foster or promote increased investment in the future.

1. Projects for which exceptional consideration is given under the terms of international treaties concluded with Korea.
2. The local partners must hold more than 50% of the total shares for those projects which are:
 - a) Purely labour intensive.
 - b) Purely bonded processing.
 - c) Dependent on domestic resources for major raw materials.
 - d) Oriented to sales of products in local markets.
3. When it is deemed necessary to increase the rate of the local investor's participation in the management, investment by non-voting stocks, non-voting and redemptive stocks, or loans without repayment guarantee etc., may be permitted.
4. In particular industries, such as electronics, machinery, electrical equipment etc., which are established in regions or industrial estates, and which the Economic Ministers Council shall determine, the principles controlling equity ownership of investment may be flexibly applied in order to induce industry in regions that need development, and to promote regional industry.

Our rules concerning project eligibility

The government has established the following criteria with respect to project eligibility.

Eligible projects

- a. Large-scale complex projects including metal, machinery and electronics which it is impossible for domestic Korean enterprises to undertake because of limited capital, technology and managerial skill.
- b. Export-oriented projects which it is difficult for domestic Korean enterprises to export, or which are economically inappropriate for them to undertake.
- c. Projects which contribute to the development and utilisation of domestic resources.
- d. Projects which are urgently required for purposes of import substitution, because of insufficient domestic production.

Non-eligible projects

- a. Those which will disrupt domestic demand and supply of raw materials and intermediary products.
- b. Those which compete with existing export industries in the overseas market.
- c. Those which are solely aimed at financial support for existing domestic enterprises.
- d. Those which are solely aimed at deriving profit from utilisation of land.

Some important incentives and guarantees for the foreign investor

Tax privileges under the Foreign Capital Inducement Act

1. Exemption and reduction of income tax and corporation tax

Income tax and corporation tax on foreign-invested enterprises are exempted or reduced in proportion to the percentage of stocks or shares which are owned by foreign investors in those enterprises. (In the event of a capital increase, both income tax and corporation tax are exempted or reduced in proportion to the increase in capital.) Foreign-invested enterprises are exempted from these taxes for 5 years from the initial reckoning date laid down in the Income Tax Law and the Corporation Tax Law respectively, and for the ensuing 3 years they will obtain reduction of the taxes by 50%.

2. Exemption from acquisition tax and property tax

Foreign-invested enterprises are exempt from acquisition tax from the date of registration, and property tax from the initial reckoning date laid down in the respective tax laws. Even before the registration of a foreign-invested enterprise, it may be exempted from acquisition tax and property tax on the property acquired for the original business purpose of the enterprise. They are exempted from these taxes for 5 years in proportion to the percentage of stocks or shares owned by the foreign investors, and will obtain reduction by 50% for the following 3 years.

3. Exemption from and reduction of tax on dividend income

Income tax and corporation tax on dividends paid out of profits and distribution of surplus are exempt for 5 years from the commencement of business operation by a foreign-invested enterprise, and reduced by 50% for the ensuing 3 years.

4. Exemption from import duties

Import duties, including customs duty, commodity tax, and textile products tax are exempted on capital goods imported by a foreign investor under import authorisation for capitalisation.

5. Exemption from tax on interest income

On interest, or other income received by a creditor under a loan contract, income tax and corporation tax are exempted.

6. Exemption from and reduction in tax on technology income

Income tax or corporation tax on payments for technology paid to the supplier of the technology under a technology inducement contract is exempted for 5 years from the date of the authorisation of the loan contract, the technology inducement contract, and reduced by 50% for the ensuing 3 years.

7. Elimination of tax incentives

Tax may not be exempted or reduced at the request of the foreign investor, creditor or the supplier of technology.

Tax privileges under tax laws

1. Exemption from wage and salary income tax

Foreigners sent to Korea with a Government agreement, foreigners engaged in a foreign-invested enterprise prescribed in the Foreign Capital Inducement Act, and foreigners furnishing services under a technology inducement contract, will be exempted for 5 years from the date of registration from wage and salary income tax if they file an application for tax exemption with the head of the district tax office. This tax is exempted in proportion to the

percentage of the wages and salaries as against that of the global income.

2. Tax credit on investment

Six per cent of the total amount of investment may be deductible from the amount of income tax or corporation tax, in cases where both domestic and foreign investors are making investment in shipbuilding, iron making, steel making, leadmaking, chemical fertilizers, power generation, chemical fibres, major automobile parts, machines, chemical pulp, soda ash, mining, marine and livestock products processing industries, national land development projects, and the petrochemical, electronics, and heavy and electric power industries.

3. The application of five-fold rates of registration tax

Five-fold rates of registration tax are applied to registration of real estates, business offices, branches and factories of corporations in Seoul and Pusan. However, the five-fold rate of registration tax shall be applied to foreign-invested enterprises engaged in manufacturing.

4. Exemption from capital gains tax

In cases where land is invested in kind for the establishment of a foreign-invested enterprise under the Foreign Capital Inducement Act, capital gains tax may be exempted.

5. Deduction of presumptive dividend tax

In cases of foreign-invested enterprises prescribed in the Foreign Capital Inducement Act, 50% of the amount of presumptive dividends is deductible from tax.

6. Changes in methods of computing depreciation

Methods of computing depreciation may be changed with the approval of the director of the district tax office.

7. Special depreciation allowances

Special depreciation is allowed, in addition to the amount of ordinary depreciation, on fixed assets used in the following businesses:

- a. Machinery and equipment for mining or manufacturing. 20% is added.
- b. Heavy equipment used in national land construction projects. 20% is added.
- c. Fixed assets for export business - 30% is added in cases where the amount of foreign exchange income accounts for 50% or more of the total amount of income. An amount is added, calculated by multiplying an amount equivalent to 30% by 200%, if the foreign exchange income accounts for less than 50% of the total income.
- d. Fixed assets of a 'green corporation'. 20% is added.
- e. Research facilities for the promotion of science and technology, and machinery and equipment for medium and small-scale manufacturing and mining. 30% is added.

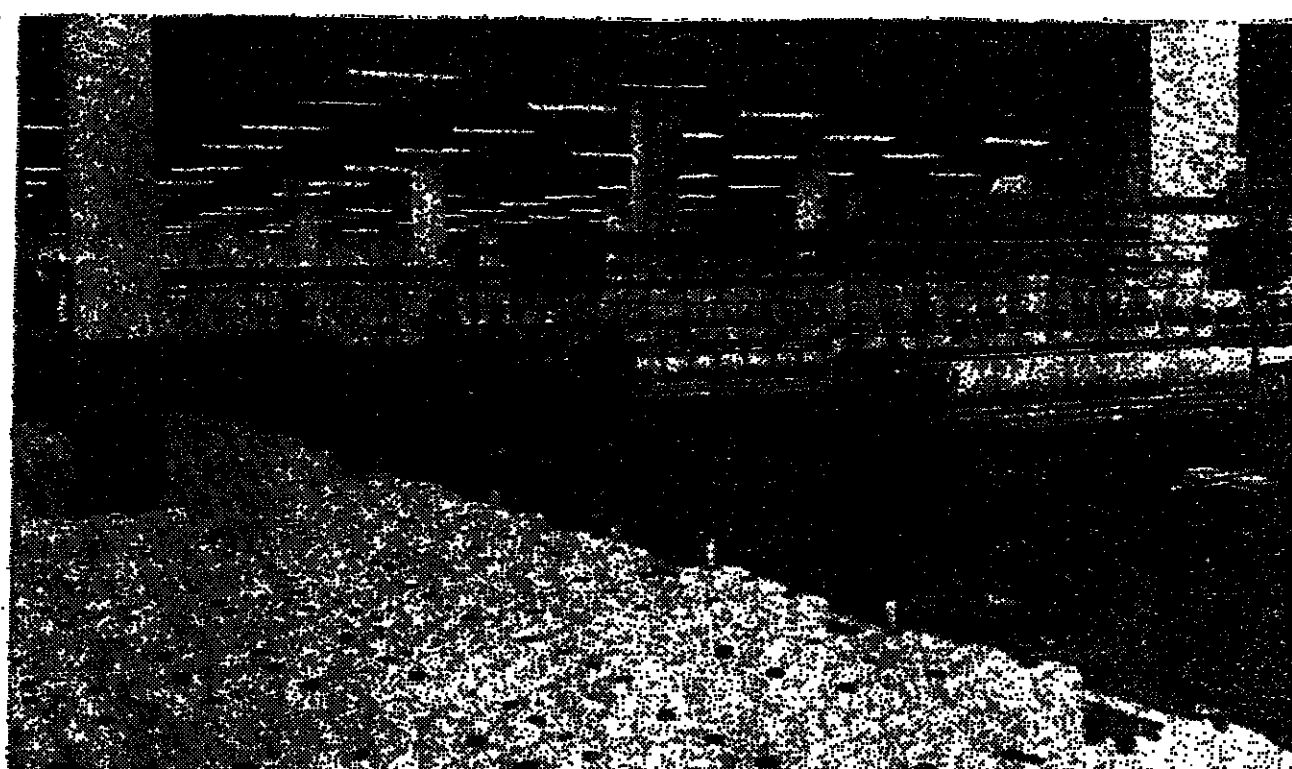
However, in cases where any of the foregoing businesses duplicates any other of them, only one will be chosen for application of the special depreciation rates.

8. Tax exemption and reduction for disaster

In cases where an enterprise is unable to pay tax because of a loss of more than 50% of its business assets due to an Act of God or any other disaster, corporation and business taxes on the enterprise may be exempted or reduced according to the ratio of the value of the losses.

Guaranteed remittance of dividends and profits

The unlimited remittance of profits is guaranteed. The repatriation of principal is guaranteed after a year from the date when the foreign investment enterprise begins its business operation. However, the Minister of the Economic Planning Board may limit the annual amount of principal that may be



repatriated by up to 20% of the invested amount, taking into account the foreign exchange holdings.

The Reinvestment of profits is permitted

A foreign investor may reinvest in the same foreign-invested enterprise up to the amount of his original investment. If the reinvestment amount exceeds the amount of the original investment, authorisation must be obtained.

A guarantee of protection for property

All property belonging to foreign-invested enterprises is guaranteed, and protected from requisition or expropriation under the pertinent laws and decrees. The same rights, privileges and protection enjoyed by Korean nationals are extended to foreign nationals and enterprises except in cases specifically prescribed by law.

What we can do for you in return

The Bureau of Foreign Investment Promotion, at the Economic Planning Board, can give the foreign investor all kinds of help.

They can give you information about economic conditions, laws, procedures, investment opportunities, and give you all kinds of guidance and advice.

They receive investment applications and review them.

They'll help foreign investors obtain import licences, land, building materials, power and water facilities, and solve any problems or difficulties they might encounter.

The right man to give the right help

The Bureau has representatives of various government ministries and agencies to help you with particular problems. call it the "one-stop service."

Ministry of Finance

Permits for repatriation of capital subscription and remittance of dividends and profits.

Permits for remittance of salaries for foreign staff, engineers, and employees of foreign-invested enterprises.

Ministry of Justice

Permits for extensions of staying period for the foreign investor.

Permits for re-entry into Korea.

Permits for change in entry status.

Granting entry to Korea.

Ministry of Commerce and Industry

Will check the domestic availability of products, relationships with domestic industries, and possibilities for increasing employment and converting into export industries.

Will check the prices of imported goods in comparison with world market prices, review production capacity, and domestic and foreign demand.

Will review the possibilities for procuring raw materials, foreign exchange earnings, and advise you on the ratio of domestic production and sales prices.

Ministry of Science and Technology

Will review the technological inducement contract.

Will review the level of salaries, and *per diem* of foreign technicians engaged in foreign-invested enterprises.

- Will review the invitation programme for foreign technicians, and the overseas training of domestic technicians engaged in foreign-invested enterprises.

The Office of National Tax Administration

- Gives advice and information on tax matters related to foreign investment.
- Will exempt or confirm withholding tax on imported capital goods.
- Gives notice of confirmation of status of foreigners engaged in foreign-invested enterprise.

The Office of Customs Administration

- Furnishes consultative advice on customs regulations for foreign investment.
- Gives guidance concerning customs clearance procedures.
- Gives confirmation of investment in kind.

How to go about investing in Korea

1. You submit an application for investment authorisation

First, a preliminary investigation on the investment should be made, and an investment plan drafted. Then an application for the authorisation of the foreign investment or technical inducement contract, together with other necessary documents, should be filed with the Economic Planning Board.

2. The review of applications

Upon receipt of the application, the Board will review details of the proposed project, and conduct an economic feasibility study in co-operation with the foreign investment promotion officers stationed at the Board. They will also seek the opinions of related government ministries on such matters as technical, feasibility, prices, facilities, production capacity and sales plans. The ministries concerned are required to submit their opinion to the Board within 20 days of the receipt of the application.

3. The deliberation committee, and the review committee

The Board submits investment applications with its opinion to the Foreign Capital Inducement Deliberation Committee or the Foreign Investment Review Committee for final approval.

The Deliberation Committee, of which the Minister of the Economic Planning Board is chairman, deliberates and decides upon applications exceeding one million dollars, and technical contracts whose cost exceeds 3% of net sales proceeds with 3 years maturity. The Review Committee resolves applications of one million dollars or less, and technical contracts whose cost does not exceed 3% of the sales proceeds with less than 3 years maturity.

4. A notice of authorisation

When the Deliberation Committee has approved or authorised the investment, the Minister of the Economic Planning Board will serve a notice of authorisation to the applicant.

5. The issue of a letter of confirmation on the list of important capital goods

After receiving an authorisation, the applicant may obtain a letter of confirmation from the competent government office on capital goods to be imported.

6. A confirmation of exemption of withholding tax in imported capital goods

Once a letter of confirmation on the exemption of withholding tax on imported capital goods has been submitted to the official in charge of ONTA stationed at the Economic Planning Board, together with a copy of that letter, a confirmation of the exemption of withholding tax will be made according to the provisions of the tax laws.

7. An authorisation for import of capital goods

The authorised enterprise is required to capitalise goods for investment within 18 months from the date of authorisation.

8. Construction of industrial plant

Construction work on industrial plant may be started immediately after obtaining authorisation for the investment.

9. Registration of the enterprise

A foreign-invested enterprise must submit an application for registration to the Economic Planning Board, together with a full report concerning the foreign capital, and documentation showing the completion of the stock subscription thereof, to obtain a registration certificate. This certificate is necessary for obtaining tax exemption and reduction.

Doing business in Korea. Some facts

1. Establishing a local company

The form of company most often used by foreign investors is the joint stock corporation.

In Korea, the legal concept and regulations relating to the joint stock corporation are very similar to those found in the USA, Japan, and Europe.

To establish one, Articles of Incorporation must be drawn up and notarized. (Seven or more promoters are needed for the incorporation of a joint stock corporation. None of them need be Korean.)

After incorporation, the number of shareholders may be reduced to one.

The minimum per value of a share is ₩500, and shares must be registered as common or preferred. Common shares must carry voting rights.

An application for registration must then be made to a District Court.

Upon registration and payment of the registration tax (2% of capital) the company is permitted to do business.

From this time, it can enter into contracts, acquire rights and obligations, possess intangible property such as patents and copyrights, own real estate, establish commercial credit, and undertake business transactions.

A company must apply to a district tax office for a business licence within 30 days of the commencement of business. The licence must be certified by government authorities twice a year.

An annual independent audit is only required for companies listed on the Korean Stock Exchange. The Korean Commercial Code also recognises three other corporate forms:

The limited partnership, the partnership and the limited company.

2. Licensing agreement

An alternative way into the Korean market is through a licensing or technological contract agreement.

Although Korea is not a signatory to any of the international conventions, Korea does regulate patents and trademarks for the protection of industrial property.

There are no specific limitations on the contents of such agreements.

Generally, priority for approval is given to technical and licensing agreements in the export and machine tool industries.

The government recommends that royalties and fees negotiated between the interested parties should be 3% or less of net sales, and the license period may run for more than 3 years. Payments are authorised on a case-by-case basis.

3. Patents and trademarks

Patents are granted for a 12 year period and are not renewable.

Trademarks, registered with the Patent Bureau of the MCI, are protected by law for 10 years, and may be renewable. Trademarks must be used in order to remain valid.

Foreign investors may register patents and trademarks in their own names, provided the foreigner's home country has a bilateral agreement with Korea.

In absence of this agreement, it is necessary to file with the Korean Government through a licensed agent.

Foods, beverages, pharmaceutical products, and items vital to national defense or the public interest are not patentable.

4. Foreign exchange control

The Ministry of Finance is in charge of foreign exchange control. The Bank of Korea, as the government's agent, executes part of these functions. The Korea Exchange Bank and foreign exchange banks, as well as the branch offices in Korea of foreign banks and financial and credit organisations are authorised to handle foreign exchanges.

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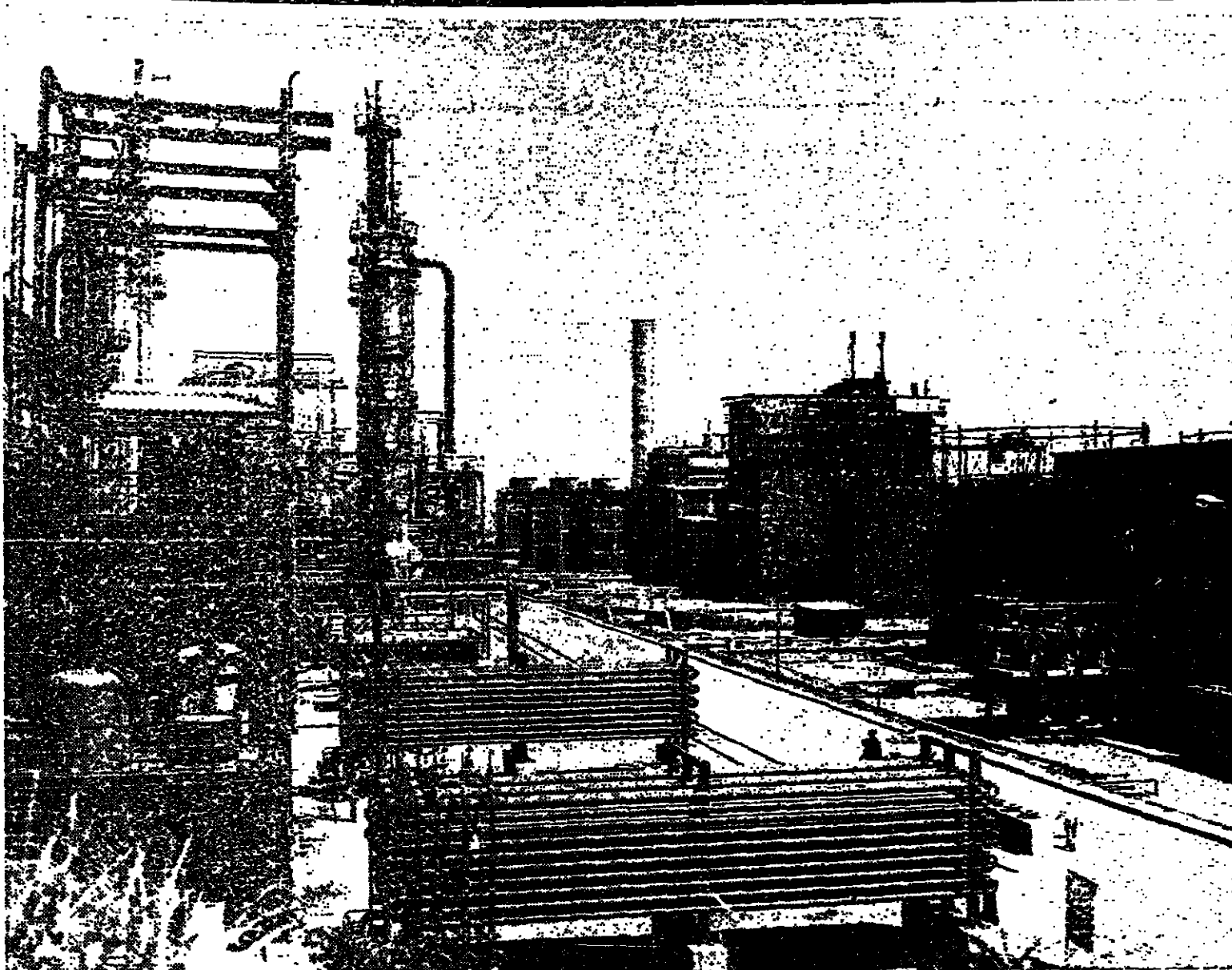
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The Honam urea fertilizer plant has an annual production of 123,700 tons.

Chemicals: progress but demand outpaces ability to supply

by Michael Johnson

As with almost every high technology industry, the chemical industry in Korea did not really begin to develop until the mid-1960s. Before that, a number of small firms were producing simple items such as soaps, paints, medicines (mainly proprietary brands) and some caustic soda and sulphuric acid.

The chemical industry as it is today began to take shape during the first five-year economic development plan period (1952-66) with the establishment of two large-scale urea plants and, most important, construction and operation of the country's first refinery, the Korea Oil Corporation (KOCO) refinery. By the end of the first plan, demand for chemical products had expanded dramatically largely because of the rapid growth of the textile, ceramic and paper industries and to the diversification of the chemical industry itself.

During the second five-year economic development plan period (1967-71), high priority was placed on the development of the petrochemical industry in line with the worldwide trend for replacement of raw materials with petroleum-based feedstocks and the booming demand for synthetic products, particularly plastics and synthetic fibres.

As a result, a dozen petrochemical plants have been built around the KOCO naphtha cracking centre in Ulsan, including joint ventures by such large firms as Dow Chemical and Skelly Oil. Unlike most joint ventures in Korea, these firms are allowed to sell primarily on the local market and may only export limited amounts of their various products.

The chemical industry was chosen as one of the major target areas, along with heavy industry and electronics, for the third five-year economic development plan (1972-76). Under this plan, construction of the Honam integrated chemical industry complex was launched in 1973 in the Yochun-Kangyang Bay area on the south coast some 200 kilometres west of Pusan. This complex, which is perhaps better known as the Yosu (or Yochun) petrochemical complex, is to contain another naphtha crack-



Mr Kim, the Prime Minister, greets Mr Peter Shore during the British Secretary of State for Trade's recent visit. Mr Chang, the Commerce Industry Minister, looks on.

ing centre with a capacity of 350,000 tons (ethylene basis) and downstream plants for production of low density polyethylene, high density polyethylene, Vinyl Chloride Monomer, ethylene glycol, SBR (synthetic rubber), and Caprolactam as initial core units.

At present, the petrochemical industry in Korea is making great progress, but demand continues to increase faster than local production.

The industry nevertheless has been successful in saving a significant amount of foreign exchange, especially since the oil shock. Despite the fact that Korea must import every drop of crude oil used, some outstanding examples of import reduction include Polypropylene (26,490 tons in 1972 but only 1,974 tons in 1973), benzene (2,493 tons in 1969 and 10 tons in 1973) and VCM (4,767 tons in 1973 against 41,438 the previous year).

Dramatic as these figures may seem, however, the picture is not all that encouraging. Demand is rocketing, but there is little room for increasing production with the existing facilities. A number of firms are either planning or already in the process of expansion; others are coming in for the first time. But these new facilities will not be in production for some time to come and, even if they could be rushed to completion, they would still be dependent upon adequate supplies of ethylene, Propylene, Butadiene and aromatics which, in turn, means that more naphtha and naphtha cracking capability is required.

Given the small amount of land left for expansion in the present Ulsan industrial zone, the future development of the petrochemical industry seems hinged on the successful construction of the Yosu (Honam) integrated complex. Two Japanese firms, Mitsui and Mitsubishi, have expressed interest in undertakings in the area, as has Dow Chemical of the Netherlands. The Japanese Government, however, has shown considerable reluctance to grant Export-Import Bank loan authorizations.

Even for such products as sulphuric acid and ammonia, which Korea produces in quantity (444,000 tons and 488,600 tons respectively in 1973), demand has grown at such a rate that 50,000 tons of sulphuric acid and 59,000 tons of ammonia had to be imported in the same year.

Officials hope that when the starch fertilizer plant in the Yosu complex is completed, this problem will be solved, but that will not be for a few years.

Chemicals are high on the list of the fourth five-year economic development plan (1977-81). Given the modest (by western standards) state of development of the industry in Korea, there will be numerous opportunities for foreign investment and, especially, provision of modern technology to the country's existing manufacturers.

Because of the importance attached to the sector, investors and suppliers of advanced technology will not only receive the usual incentives provided by the foreign capital investment law, but may also be granted special privileges, including permission to market a good portion of their production locally. The chemical industry therefore is among the more attractive areas for foreign activity in Korea.

area, basic chemicals are equally important and, with only a few exceptions, are almost as recent on the Korean scene as the petroleum-based products.

Such basic products as nitric acid, acetic acid and formalin were not produced in any significant quantities locally until after 1965 when at the same time concerted efforts were made to expand existing production capacity of such items as ammonia, carbide, sulphuric acid, caustic soda and chloric acid. This expansion was mainly due to the development of the chemical fertilizer, synthetic resin and other petrochemical-related industries which require a wide range of basic chemicals in large quantities.

Here again, demand is consistently outpacing domestic ability to supply, except in such isolated instances as chloric acid and carbide in which the country is almost self-sufficient. On the other hand, nitric acid was made locally until 1971, whereas since that time the country's entire demand has been met by imports.

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Assembly of television sets began in 1966.

Electronics: cheap labour attracts foreigners

by Clifford Webb

One of the most remarkable success stories of South Korea's industrialization has been the electronics industry. Beginning in 1958 with the assembly of radios from imported components, it now employs more than 100,000 men and women in about 400 factories.

It was not until 1966, however, that world manufacturers began to appreciate the advantages of using Korea's abundance of cheap, diligent labour to solve the growing cost difficulties of such a labour-intensive industry.

First into the field were three American companies — Motorola, Signetics and Fairchild. That small beginning soon became a flood, with the Japanese leading the way. Today there are 168 Japanese electronic companies operating in Korea through 139 joint ventures and 29 wholly Japanese investments.

The United States came a poor second with 27, of which 14 are wholly owned. However, the American operations tend to be larger. In addition, there is a Dutch, a West German and three Hongkong companies.

As an indication of the extent to which foreign capital has poured into Korean electronics, the Ministry of Commerce and Industry reported earlier this year that of the \$724m invested by foreign enterprises in Korean domestic industry up to December

1974 no less than 17 per cent went into the electronics sector.

With a growth rate of nearly 60 per cent annually for the past six years and the bulk of production going direct to hard currency overseas markets — it is hardly surprising that the industry accounts for nearly 6 per cent of the nation's total gross national product.

Such rapid development owes much to the aggressive support provided by the South Korean Government. In 1966 electronics was designated as a strategic export industry and provided with various financial aids and preferential tax treatment.

New importance began with plan

In 1969 a special Electronics Promotional Law was promulgated to provide an institutional foundation for the industry. Early production was confined to radio sets, telephones and similar low technology products. Because of a shortage of technical knowledge the work was mainly achieved by domestic companies entering into licensing agreements with foreign manufacturers.

During the first five-year development plan, however, electronics began to take on a new importance and in 1968 domestic production of record players began. That was followed a year later by the assembly of television

sets. The industry really began to develop in the late 1960s with the manufacture of semi-conductors such as transistors, integrated circuits and components for the booming computer industries of the world.

Since then tape recorders, desk and hand-held calculators and colour television sets have extended the wide range of Korean-made electronic products finding their way to world markets, often carrying the brand name of their Japanese and United States partners. Today about 80 per cent of output is sold in more than 50 countries.

From a total production of \$22m worth in 1965 the industry reached \$734m in 1974. In the same period exports grew from \$4m, representing 18 per cent of production, to \$553m, or 68 per cent of the total.

The production target for this year is \$790m, of which about \$620m worth are earmarked for export. But with demand in Japan and the United States down by about 28 per cent and 20 per cent respectively, that will take some achieving. To stimulate orders from depressed markets export prices have been lowered by amounts varying from 2 per cent on radios to nearly 30 per cent on calculators.

In spite of slackening demand, the Government is pressing ahead with expansion plans aimed at a six-fold increase in the value of production by 1981. However, there will be a small drop in the proportion exported — from 68 per cent in 1974 to 52 per cent in

1981. That is planned to take into account the growth of domestic demand as Korean wages increase and local materials are substituted for imports.

The expansion plan calls for a further 560 factories to be built at a cost of \$1,081m of which it is hoped \$530m will be foreign investment.

In October 1973 the Government established an industrial estate at Gimje in Gyeonggi province, near the Seoul-Pusan motorway, exclusively for electronic and allied industries. In addition to the provision of normal services for industrial estate users a wide range of incentives have been offered to foreign investors.

Exemptions and tax reduction

They have been exempted from a range of income, corporate and property taxes for the first five years and receive a 50 per cent reduction for the next three years. The remittance of profits and dividends is guaranteed from the first year and the remittance of principal foreign investment is guaranteed after two years of business operation.

It is not surprising that within a very short time 60 companies were in occupation with room for a further 250 on the 2,600-acre site. By 1977-78 exports from the estate could be as high as \$400m a year. The key attraction from

the beginning has been the low wages paid to everyone from a skilled engineer to a labourer. A new study produced by the Korean Ministry of Commerce and Industry, Investment Opportunities for the Electronic Industry, contains this significant statement:

"At the present time Korea has no legal minimum wage system. Basic wages comprise only a portion of workers' income and vary with the size of companies or personal ability. The monthly starting wage is now £130 for engineers, \$80 for technicians, \$30 for workers and \$90 for clerical or administrative workers."

"Employers pay one to four months bonus annually to employees and serve usually one hot meal a shift, but this is not legally required. Transportation compensation is optional, depending on factory location."

The minimum age for starting work is 13, although employers are required to keep a register of workers under 18 and must obtain parental approval in writing. The standard working day in the electronics industry is eight hours a day for six days a week. But that can, and often is, extended to 60 hours a week or more.

Good attendance, frequently interpreted as 100 per cent attendance, must be rewarded by an extra eight days leave with pay a year. Workers who achieve only 90 per cent of the eight days' legal holiday entitlements are a further 16 days a year.

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Cars: big efforts to break into overseas markets

Leading South Korean industry has reached a stage in its development. Until now the car has been accorded a low rating in the country's economic development programme. Car-drivers are almost nonexistent. Of the 80,000 or more running on the roads, only a few are imported. The rapidly expanding network almost all are by professional firms employed full time in various departments of the private industry.

The situation, however, has changed. It is now being brought about by government policy. It is aimed at dampening consumer demand for imported cars, and encouraging the production of cars by the country's own manufacturers.

At this year the only car available in South Korea is the locally assembled version of the British Ford. Opel and Chevrolet General Motors Germany and Australia, and a number of adapted Japanese models. Their reexport was almost nonexistent.

Commodity and other government imposed taxes add more than 25 per cent to the price of a car.

Prohibitive as about 1,000cc saloon in a country where average wage a year is \$1,000.

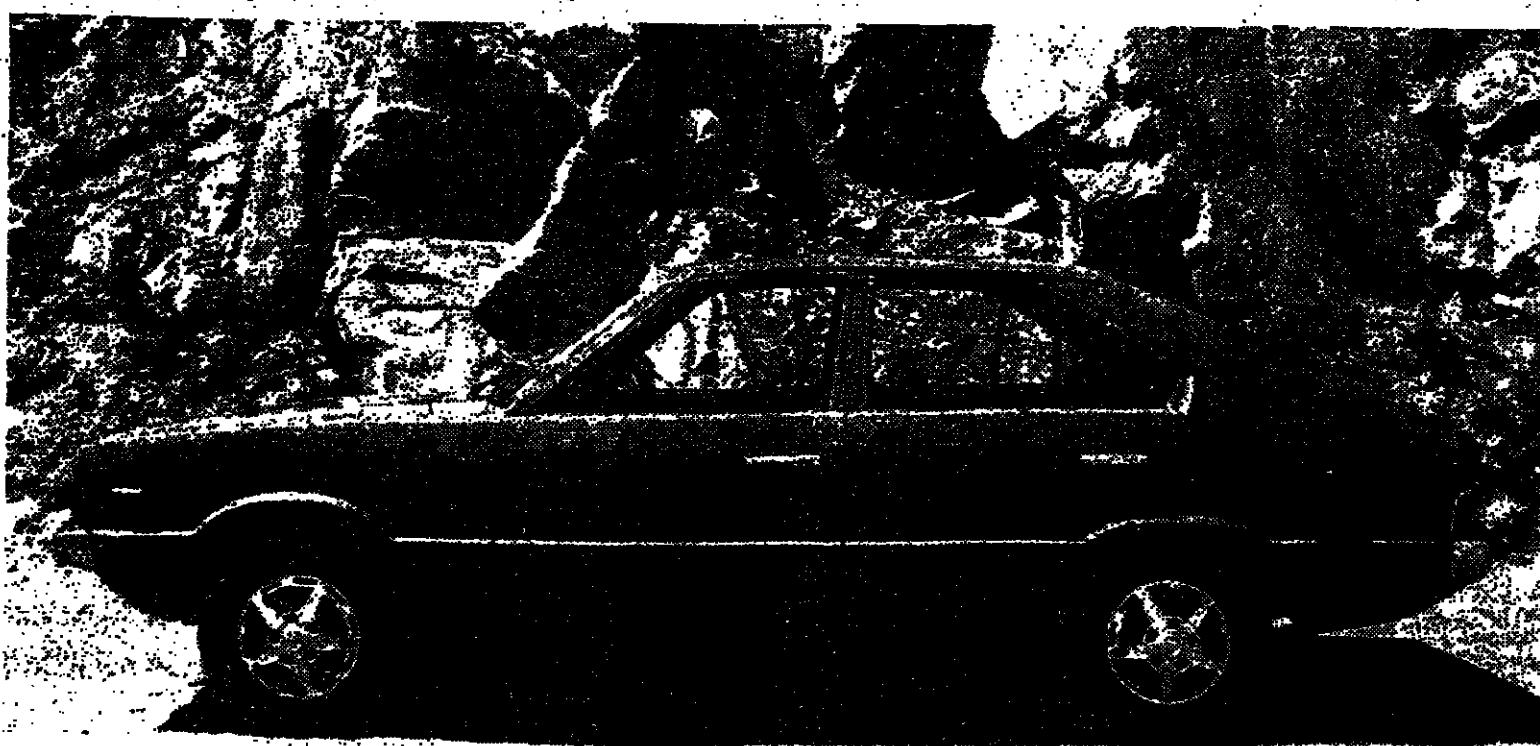
Korean assembled a car costs about £30 a license and petrol sixth most expensive in the world.

rapidly the change in the ownership of the car is in the hands of the South Korean government.

For government ministers talked to in Seoul emphasized that they prefer the growth of the country's motor industry to export led. Such a development is probably within reach.

expensive to break foreign car markets. The car is of unknown quality. On the other hand, the assembled versions of European cars such as the Opel and Chevrolet are of a much higher standard.

Korean designs, intended for 100 per cent local manufacture, are among the best in the world. And should give them the necessary entry into overseas markets, particularly in the Middle East countries.



The Hyundai Pony saloon, scheduled for introduction in December, is a product of a British-inspired plant and is expected to make a large impact on the world market.

The Korean motor company with the biggest potential is undoubtedly Hyundai Motors, a subsidiary of the huge Hyundai group. Hyundai is already the country's largest shipbuilder, a major contractor of roads, ports, dams and power plants. It also produces more than 1,200,000 tons of cement a year and has a number of engineering companies, including motor component suppliers.

Hyundai has attracted a great deal of interest in Britain for two reasons. First the construction of a fully integrated car plant with a first stage capacity of 80,000 cars a year is being master-minded by a Briton, Mr George Turnbull, the former managing director of British Leyland, and a team of six senior British engineers.

Second the £50m project is being partly financed by a £20m loan from Barclays Bank covered by the British Export Credit Guarantee Department.

Perhaps the most telling factor is the dynamic personality of the company's Korean president, Mr Chung Se Yung. He has quickly acquired a remarkable knowledge of the international motor industry.

He told me: "We plan to

produce the first Hyundai Pony in December and we shall be on target. I want to begin exporting the Pony as soon as possible and to this end we are already surveying the most likely overseas markets. At the same time we are going ahead as quickly as possible with the designing of a range of trucks which will be powered by Perkins diesel engines manufactured in our own factory now being completed at Ulsan.

"We are already the largest producers of buses using some Ford components for city buses and Mercedes-Benz parts for de luxe highway buses."

The country's first fully integrated motor plant is nearing completion at Ulsan in the south-east. In addition to a fully mechanized assembly track it will have forging and foundry shops, sub-assembly manufacturing facilities, an engine build workshop and body, paint, and trim facilities.

The speed with which this is being done is remarkable. The first piles were driven into the reclaimed coastal site only eight months ago. Today the buildings are in the final stages of completion and machinery from Britain, Japan, France and other major motor manu-

facturing countries is being installed.

Prototypes of the first model, the 1200 cc Pony, are being tested to destruction by relays of drivers using a test track which reproduces severe road conditions. As a yardstick by which to judge the Pony's strength and reliability the tests are being conducted side by side with the Mitsubishi Lancer.

This Japanese model is widely acknowledged to be ideally suited for difficult conditions. It is also powered by the same engine and gearbox which Hyundai will manufacture under licence for the Pony.

To some extent the Pony's thunder has been stolen by another, much smaller manufacturer, Kia. At the end of last year Kia began producing under licence a 1,000 cc version of the Japanese Toyo Kogyo company's Familia. Known locally as the Brisa, this small saloon hit the market at the height of the oil crisis and was an immediate success. It won a substantial slice of the taxi business previously dominated by the Hyundai Cortina.

Kia executives claim that already 85 per cent of the Brisa is manufactured in Korea. But in view of the

company's limited production facilities this claim is open to question.

Kia plans to manufacture 12,000 Brisas this year. And with the Korean market estimated to reach only about 17,000 to 18,000 new car registrations in 1975 that could be difficult for Hyundai.

The Brisa has also been a pacesetter in another respect. Motor industry sources suggest that 20 per cent of existing Brisa sales have gone to private owners making the first real breakthrough from the established pattern of government and company purchases.

General Motors made a belated entry into the Korean market, thanks largely to Japanese manoeuvring which went astray. Toyota, the largest Japanese manufacturer, was in partnership with a Korean company, Shinjin, from 1966 to 1972. Then, according to well informed Seoul business circles, the Korean Government began to put pressure on the Japanese to export Korean-made Toyota cars in competition with their own.

At the same time Toyota was casting envious eyes on the vast and still undeveloped Chinese market. A condition of entry to this market was said to be the

severing of business connections with capitalist South Korea, at least in a direct motor manufacturing capacity.

When Toyota pulled out of Korea three years ago General Motors filled the gap so quickly that negotiations with the world's largest car manufacturer must have been under way for some time before the Japanese departure.

However, 1974 was a troubled year for General Motors Shinjin. The total Korean market reached only 8,361 cars compared with nearly 13,000 in 1973. And of the 8,361 cars sold Hyundai's market share doubled from 40 per cent to 80 per cent. The main problem was undoubtedly the larger reputation of the larger General Motors engine cars. With petrol prices rising Korean motorists went for the more economical competition.

With stocks of unsold cars piling up General Motors had no alternative but to resort to extensive lay-offs. Now it is reported to be rushing out a version of the Japanese Isuzu Gemini which, according to some reports, will be powered by a 1500cc Opel engine.

C.W.

Steel: bold plan pays off

by Peter Hill

Within the next eight years the capacity of the South Korean steel industry should be about 17 million tonnes a year. That is about the level of production which the British Steel Corporation will attain this year, against the background of the deepest recession that the international steel industry has experienced since the 1930s. Yet at the beginning of this decade domestic Korean steelmaking capacity amounted to just short of a million tonnes.

The Korean plans are bold and ambitious. But Korea has shown in the past that however daunting the market situation and the targets, it will not be deterred. The steel industry's development since the late 1960s has been geared to reducing the dependence on imported steel and providing a healthy balance of steel products for export, an element of some concern to established steel producers attempting to fight the recession.

Before the Pohang Iron and Steel Company (POSCO), a state-run company, began moving into production four years ago, there was a striking imbalance between the country's steelmaking capacity of 500,000 tonnes annually and its rolling capacity, which controlled some 2,200,000 tonnes. This situation meant that the country had to import large volumes of semi-finished steel for rolling. At the same time steelmaking was fragmented between 17 different plants which included a 70-ton open hearth furnace, 30 Bessemer converters, numerous arc furnaces and 62 rolling mills.

Much of the industry's production facilities were old and at the beginning of the 1970s about 90 per cent of steelmaking furnaces and rolling mills had been built before 1960. Such a high proportion of obsolete equipment resulted in unwieldy high production costs. The construction of the country's first integrated steel mill, operated by POSCO with an initial capacity of a million tonnes, together with the expansion of other semi-integrated plants, was designed to reverse this situation.

It was in 1967 that the site for the new POSCO steel plant was selected and two years later the project was finalised with engineering knowledge provided by a consortium of

Japanese companies, Yawata, Fuji and NKK. Construction of the hot strip rolling mill began in 1970. The other plant built as the first phase of the development programme embarked on by POSCO involved a 2,600-ton a day blast furnace, two 100-ton LD converters, a blooming and slabbing mill, a 60in continuous strip mill, a 132in plate mill and a hot sheet mill. This involved a total investment of \$310m.

By 1973 the plant was operating on a capacity of more than a million tonnes, with 80 per cent of the coal and iron ore being imported. The main suppliers of iron ore were Australia (36 per cent) and India (30.3 per cent). Coal supplies from Australia accounted for nearly 70 per cent of the plant's requirements and the balance was met by the United States.

Expected increase in annual growth

Two years ago South Korean steel consumption amounted to a little less than four million tonnes, a tenfold increase on consumption levels in 1964. Between 1965 and 1967 about 40 per cent of steel consumed was imported and although the import ratio had decreased to 15 per cent by 1973, the actual tonnage imported amounted to 573,000 tons, seven and a half times the level of a decade earlier.

Against this background Korean steel industry planners geared themselves to ensure that domestic capacity was able to meet the bulk of the expected 20 per cent annual growth in consumption in the period to 1983, which implied a consumption of 17 million tons.

Two years ago production at Pohang was 1,030,000 tons and this year will be about 1,200,000 tons rising next year to 2,600,000 tons. This level of POSCO capacity is rather more than total Korean capacity of 2,360,000 tons annually two years ago. Further developments are in progress despite the recession.

The second phase of development at Pohang will be in two stages with capacity being lifted to 5,500,000 tons by 1979 and still further to 8,500,000 tons by 1981.

There is strong competition for the contracts and the Koreans have indicated their keenness to buy British where possible. Negotiations are at an advanced stage between POSCO and

Davy-Ashmore for the supply and construction of a huge new blast furnace costing some £50m.

Other developments are taking place outside the state steel sector. The Incheon Iron and Steel Works has lifted capacity from 120,000 tons of steel to 300,000 tons and existing plans for the plant call for steelmaking capacity to be boosted to 500,000 tons by next year.

Companies such as Dongkuk, Keokuk and Hankuk are expanding their capacities in line with the aim of achieving a combined capacity of two million tons by next year, rising to 2,500,000 tons by 1978 and 3,100,000 tons by 1981. Additionally, Korea has plans for the construction of a second major integrated steel mill with an initial annual capacity of slightly more than 4,300,000 tons in 1980 and seven million tons or more in 1982-83.

According to Mr Choosun Choi, raw material managing director for POSCO, Korean raw steelmaking capacity should amount to 17 million tons in 1983—slightly more than estimated domestic demand—assuming that the mills maintain 90 per cent utilisation. POSCO has a products capacity of 1,233,000 tons annually. This includes a plate capacity of 184,000 tons, hot rolled coil and sheet capacity of 758,000 tons, a blister capacity of 141,000 tons and 150,000 tons of foundry pig iron. Last year a consortium of Austrian, West German and American companies won a \$90m contract to build a cold rolling mill for POSCO which, when completed in 1977, will be capable of producing 525,000 tons of coils.

Korea is also developing its special steels industry with the help of British knowledge. At the beginning of this year Osborn Technical Services, the consultancy company established by the Sheffield-based private steelmaker, Samuel Osborn, secured a 10-year technical service agreement to advise Korea Special Steel on the manufacture of a variety of special steels and engineers' cutting tools.

The South Korean company forms part of the Samyung Group, an associate of the Samyang Special Steel company, and is building a new steel plant to produce 41,000 tons of special steels (bars, forgings and extrusions) as well as a plant to make tools.

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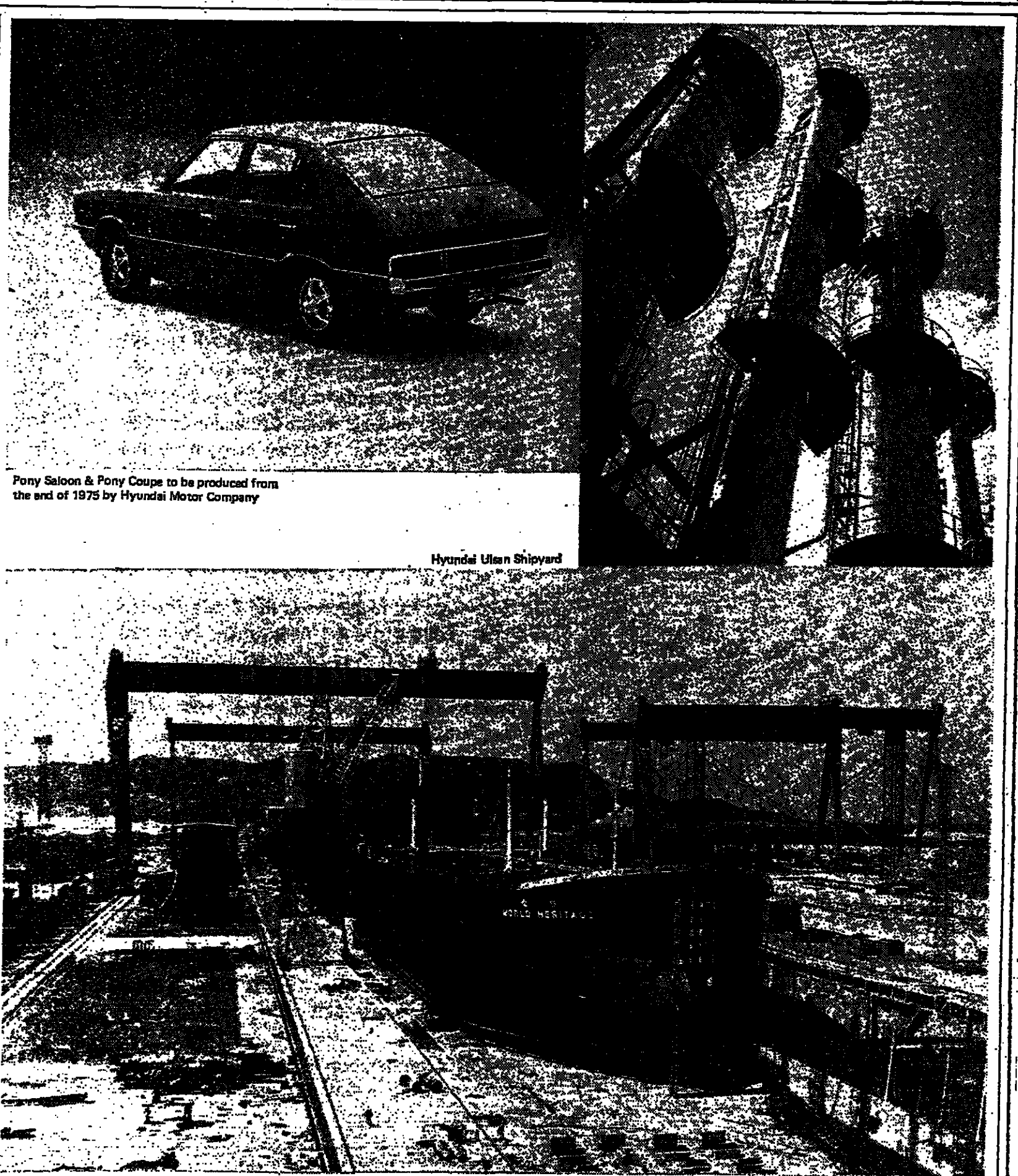
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Machinery: crash programme to make country self-sufficient

by Michael Johnson

Recognizing that modernization on a national scale is impossible without a well-developed machinery industry, Korea has embarked on a crash programme aimed at making the country as self-sufficient as possible by 1981. Other objectives include the establishment of fundamental research and development facilities and, to the extent permitted by national requirements, creation of an export market.

At the heart of the programme is the Changwon machine industry complex, a newly-created 10,700-acre industrial estate adjacent to Masan on the south coast. When fully operational, the complex will house 104 plants on 4,313 acres and have a residential community of some 200,000 persons, complete with schools and hospitals, on a further 6,000 acres. Although these social facilities are lacking at present, some 30 companies have already been approved for admission and a number of them have factories on the way to completion.

An indication of the importance the Government attaches to the Changwon project is the list of incentives it offers to companies—foreign and domestic—to set up there. Improved land for sites is quite inexpensive at 9,100 won per pyong (480 sq ft) and easy credit—30 per cent down and eight years to pay—is available. Government credits for up to 37 per cent of construction costs are also possible.

Firms with foreign investment also receive all the incentives accruing under the foreign capital inducement law. These include tax breaks—100 per cent remission for five years and 50 per cent for the next three years—exemptions from customs charges for capital goods and certain raw materials imports, as well as guaranteed remittance of profits and, if desired, initial investment.

The need for such a programme is evident. Korea's economic planning now puts emphasis on the development of the heavy, chemical and electronic industries. Progress in these sectors is impossible without a machine industry, particularly machine tools. Low-grade machine tools such as lathes, drilling machines, milling machines and shapers are produced domestically and some exported to other developing countries. There is even a surplus of these kinds of machines in the country.

On the other hand, special-use and high-grade precision machine tools have been almost non-existent. Those that are available have been imported for specific projects and are not adaptable for other use.

The importance of machinery in the Korean scheme of things can perhaps best be illustrated by a brief examination of import statistics. In 1967, Korean imports totalled \$986.2m of which 31.1 per cent was machinery. In 1974 imports totalled \$5,852m (excluding crude oil) of which 31.9 per cent was machinery. Of these machinery imports, general machinery (mostly machine tools) has consistently made up almost 50 per cent.

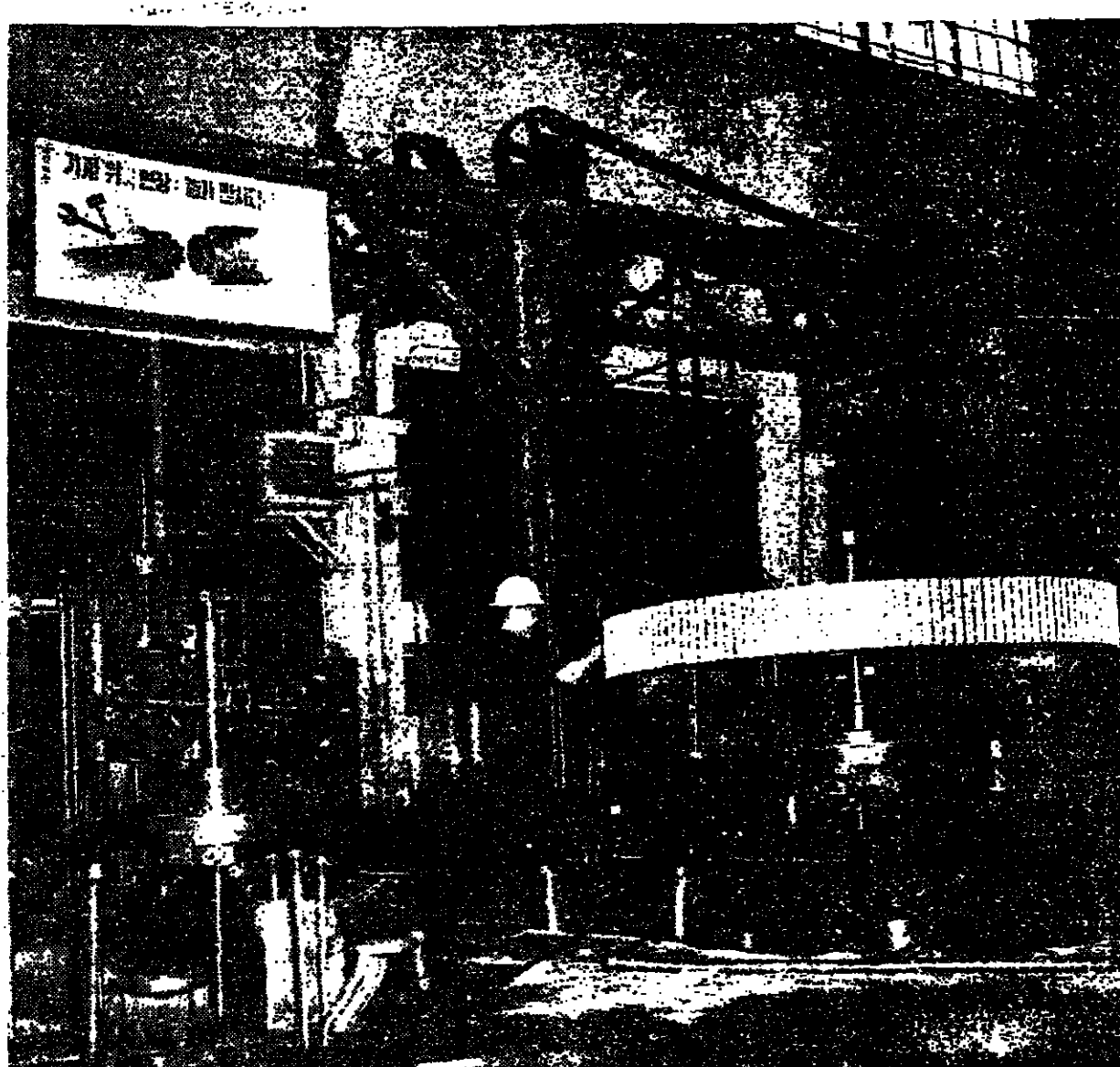
Electrical machinery has usually occupied second place, although in 1974 transport machinery moved up to that position because of exceptional purchases of ships and boats, many of them for scrap or container shuttle service.

Excellent labour resources

More than good intentions and careful planning are necessary to establish an industry, however. A country needs at least four basic raw materials—labour, technical knowledge, capital and physical raw materials, in this case special steels and non-ferrous metals. Until recently, Korea has benefited only from a pool of excellent labour resources.

With the coming on-stream of the massive Pohang Iron and Steel Corporation (Posco), some iron and steel products are becoming available locally, but most special steels are still being imported. At least two companies are developing some special steel capabilities, but their total production is still far from meeting present, much less projected, needs.

Capital is chronically short in Korea and technical knowledge is still well behind the levels in developed countries. For this reason, the Government is



A plant which produces various import substitute tools and machines.

making consistent efforts to attract foreign investors wherever possible while, at the same time, encouraging domestic firms to negotiate technical assistance agreements with foreign firms which have the necessary technology.

The incentives for foreign investors have already been discussed. For foreigners supplying technical knowledge, the same tax and remittance benefits apply. In addition, local firms are permitted to deduct payments for foreign technology from taxable income provided they place an amount equal to the taxes saved into a special account to be used to develop their own research programmes. In this manner, the Gold Star Co., a leading electronics firm, has already

Export-oriented industries

Parallel with Korea's overall development the local machinery industry is in a state of imbalance. With early national policy concentrating on light export-oriented industries, such machinery manufactures as there are had to

follow the same lines. The result is that the nation has large capabilities for producing a number of kinds of textiles, simple electronics and mining machinery, to the extent that some of these are even being exported. In this category are some paper-making and printing machines, although specialized machines (for banknotes or high-speed machines, for example) must still be imported.

The greatest problem faced by the machinery industry in the course of its development, however, is economy of scale. This problem is not special to the machinery industry; it affects all the large-scale, capital-intensive industrial areas. Local demand is not sufficient to absorb the

total output required to make production economic. In order to meet its own requirements at unit costs it can afford, Korea must produce in large quantities and be able to export the balance. In order to export, however, the country must produce modern and advanced products for which there is an international market. This requirement brings the problem full circle, back to the basic requirements of capital, technical knowledge and special raw materials, all of which are still scarce. For this reason, Korea will continue to be an attractive market for foreign suppliers of all three needs, especially for investors who can supply them all to supplement the labour force.

Unique joint venture gives port a lift

Asia's biggest grain elevator was dedicated in the Korean port city of Incheon last March, a unique joint venture that, in view of the problems it encountered, will probably not be repeated—at least not in the foreseeable future.

The Korea Silo Company is officially a fifty-fifty joint venture between the Pacific International Food Company of the United States and the Daehan Flour Mill Company of Korea, each of which put up \$1.5m in equity funds. Both governments were involved, however. The United States Government extended a \$4.6m loan through the United States Department of Agriculture. Commercial Credit Corporation and the Korean Government undertook to provide the necessary pier facilities. In Korea, all harbour facilities must, by law, be owned by the central government.

The need for the project had been obvious for a long time. Until Silo went into operation, almost all grain going into Korea in bulk has been off-loaded by barges and heaped in open storage areas. Off-loading was done by manual labour resulting in unnecessary loss. Open storage resulted in unnecessary deterioration because of weather as well as loss and contamination caused by birds and rodents. The cost to Korea of using these primitive methods was several millions of dollars of badly needed foreign exchange.

Soon after construction began, however, the Korean Government informed Silo that it was unable to provide the pier facilities. "They told us that they had not budgeted the funds for the dredging and pier construction, that development of the area was in the long-range planning stage," Mr. Dan Skondin, vice-president and senior United States representative, said.

"They also told us that the pier site that had been approved by the Economic Planning Board and the Ministry of Construction was designated as the salt wharf area and could not be used for grain. Then they told us that President Park personally would have to designate a new site."

"The upshot was that the project was thrown more than six months off schedule."

In addition, we were required to build the pier ourselves and donate it to the Government, as well as dredge the channel to the pier from the lock turning basin. Because of this, the total project cost rose from \$4.6m to \$10.8m."

Because of the increased (and unforeseen) costs, Silo had to go back to the United States Government for more money. The original Commercial Credit Corporation loan had been for \$4.6m. To cover the added costs, CCC authorized a second loan of \$3m. Both credits were in the form of commodity grain loans.

On March 12, the facility was formally dedicated. The principal speaker at the ceremony was the United States ambassador to Korea, Mr. Richard Schneider. He said that financing of \$7.6m was provided through the private trade credit programme of the CCC and that the Korean Government had guaranteed full repayment of the credit. He went on: "We are witnessing the results of the joint venture concept at its finest—two great private enterprises, one American and one Korean, cooperating together with the full backing and assistance of their governments."

"This facility is open to public use and it will function most efficiently if it is operated at full capacity. The built-in efficiencies of this modern terminal and its storage capacity of 150,000 tons result in significant reductions in the cost of grain delivered to Korea and provide benefits which will be shared by all of the Korean people."

According to Mr. Skondin, maximum operation of the Silo facility will mean annual savings of at least \$4.6m in foreign exchange as well as \$1,057,000 in local costs that would be incurred by Korean flag ships using other facilities.

"In the first 90 days that we were operating, some 300,000 tons of grain were unloaded at piers other than the one designated by President Park as the official grain unloading pier (our pier—the Incheon public grain elevator). At the effective rate differential this cost the country about \$1m in foreign exchange funds," he said.

The diversion has been the result of some apparent confusion on the part of the office of supply (Osok)—the central government purchasing authority—and the

National Agency for Co-operation with the People, which reportedly felt that use of the Silo facility would result in massive loss of employment for harbour workers at Incheon. Mr. Skondin denies that longshoremen and other harbour workers are being threatened by the modernized elevator.

"The major reduction in dockworker employment was created when the Incheon harbour lock gates were dedicated and the new port became operational. With that improvement, barge and tug work for offshore discharge was no longer required. This occurred on May 17, 1974—some 10 months before the opening of the Incheon public grain elevator (the Silo project)," he said.

"Not only that, but the settlement of potential labour problems with the National Dockworkers' Union was one of the requirements we had to meet before the Ministry of Transportation would give us an operating permit. We negotiated a firm contract with the union which includes an indemnification clause to cover possible reduction in employment. Our relationship with the union is such that it gave the company a plaque of appreciation for our cooperation."

"Our operation actually created more than 120 new jobs—far more than the number of jobs allegedly lost by our introduction of more efficient mechanical equipment. So, overall, the employment situation is actually brighter because of our operation," Mr. Skondin explained.

The success of the operation depends upon maximum use of its facilities, however. "Private importers—members of the Korea Flour Millers' Association—are aware of the benefit of using the public elevator," Mr. Skondin says. "So are the shippers. Now it appears that the Government and quasi-governmental agencies—Osok and the NACP—which are the biggest buyers have also seen the light. From now on things should go well for everybody and the venture will be the success it should be."

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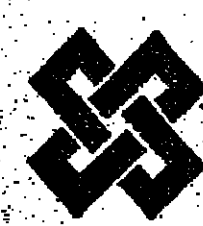
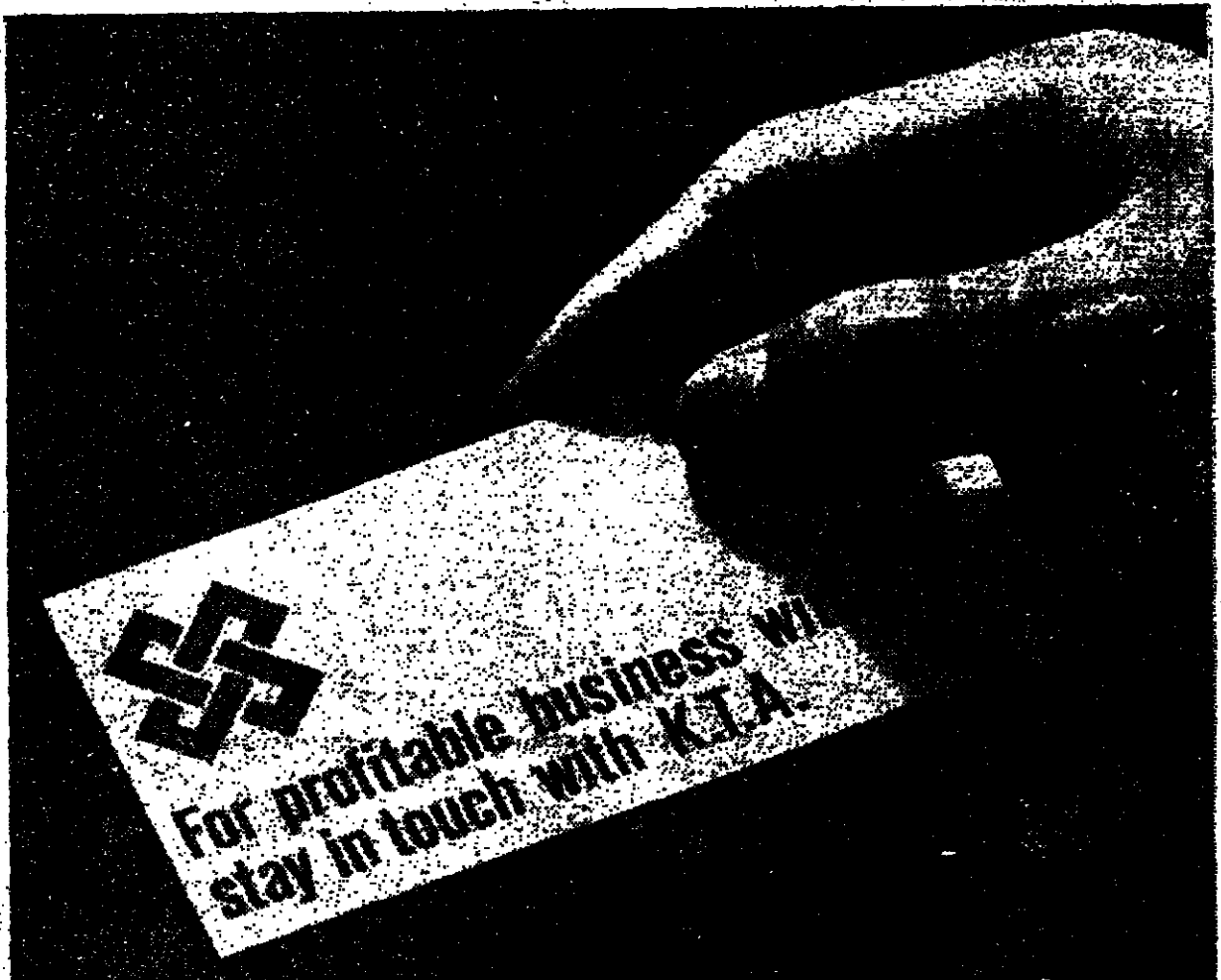
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THE REFORM OF CHARITY

ain still looks more kindly on institutional charity than many countries. In France and Germany, for example, the State endowments are only used to exist under the State supervision, and in the United States the wealth, and the capriciousness of the great foundations have led recent years to new restraints on their privileges. But in this country, where the number of charities is more than 100,000, and their assets have been estimated at more than £100m, the only serious argument is over the capriciousness of the law which accords a substantial tax advantage to the charities themselves. The one exception to this is the vexed question of the religious schools.

Yesterday's report by a Committee on the Charity Commissioners is the latest of a series of studies on the matter, and no means the weightiest. It will be the last, for Lord Dorman is conducting an independent inquiry at this time. The committee worked hard, and did not find it to seek the views of the Charity Commissioners, who are involved in the pursuit of malice in charities, nor of the Department of Education and Science, whose opinions on religious schools might well have been thought to be indispensable. There are many problems in the field, such as the tangle of legal and ineffective organizations, the prohibitive expense of dealing against decisions of the Commissioners, and the tendency of the public to imagine the mission of the Commissioners is to organize the bona fides. One of these reports has suggestions to make. In particular, it proposes that a charity should be allowed limited activity in pursuit of its main objects. Now that the Government has its finger in

every pie, charity is denied half its function if it cannot take some part in political debate. The obstacle here, though, is not so much the law as the undue influence of the Commissioners in applying a principle that they already admit.

The most important problem is that of definition. The legal criteria for judging whether a purpose is or is not charitable are complex, and let in many bodies whose claims seem weak, while excluding many whose claims seem strong. Although the criteria have been broadly summarized as the relief of poverty, the advancement of education or religion, or other purposes beneficial to the community, the Commissioners and the courts have tended to proceed by a cautious process of analogy which has, for instance, discriminated unhappily between the British Humanist Association and the Divine Light Mission.

Repeatedly the attempt has been made to formulate a new definition, and repeatedly it has failed. The committee proposes that the head "Beneficial to the community" should be made the governing criterion in all cases. It is confident that lawyers would be able to draw up a satisfactory form of words—more confident than many lawyers would be. It is a positively attractive solution which would in practice do little good, and might do much harm. It would gather its meaning through legal precedents which might or might not turn out to be more restrictive than the present rules. Everyone is in favour of purposes beneficial to the community, but if everyone agreed that they were, politics would cease to exist.

The point is oddly illustrated in the report itself. The committee makes it clear that it would expect any such formula to exclude the fee-paying schools, on the ground that they benefit only the section of the community whose parents can afford to take advantage of them. The

report almost speaks as if that was self-evident, although it is far from being so. The Government is already determined to withdraw the tax privileges of public schools, and this will need legislation, but it would be foolish to attempt to achieve this by sleight of hand, as part of a general redefinition of charitable purposes. Any formula devised with the intention of excluding public schools would almost certainly cause unintended confusion in the wider field of charity. Organizations around whose direct beneficiaries are limited to particular categories—by handicap, kinship, locality and so on—who charge for providing services.

Similar problems arise with religion and the relief of poverty. At first sight there is much to be said for excluding religious bodies which play on credulity, and schemes for social reform which are merely cranky. Most people would feel that some organizations now enjoying tax concessions scarcely deserve their privileges. But once profitable swindles which should never have gained registration under existing rules are set aside, severe problems of religious toleration and freedom to experiment arise. The histories of religion and social welfare are scattered with instances of innovations which appeared anything but beneficial by the established doctrines of the time. It is easy to think of minority sects today whose teachings could well be argued to be against the public good, though their adherents are sincere and well intentioned. Although it is a fiscal privilege that is in question and not freedom of conscience itself, the task of making such discriminations should be given to civil servants and judges only, and not to the arbitrary whims of the benevolent middle of the charitable world is not so grave a problem that we need to resort to that yet.

ARE THEY LIVING UP TO HELSINKI?

Luns has attacked the Russians for failing to live up to Helsinki agreements by continuing to emphasize ideological struggle, restricting human rights, and not providing notification of military manoeuvres. It is partly right and partly wrong. Scarcely two months have passed since the Helsinki documents were signed. This is a very short time for a slow and creaky machine like that of the Soviet Union to make significant changes. Many people vastly exaggerate the extent to which Brezhnev can give orders and they obeyed. In any case, no one expected Helsinki to reform east-west relations or Soviet Union overnight, or end ideological struggle. The fact that can be expected from documents is that they will be a prodding evolution in the right direction.

As far as the Russians have made encouraging gestures, such as publishing the documents in multiple copies for western journalists, and starting negotiations on visas for western journalists, they also seem to demonstrate that they are not going to be rushed and ready where necessary to refuse behind their own pretensions of the texts.

Almost certainly there has been criticism of Mr Brezhnev for some of the things he signed. This may seem odd to western critics of the conference who persist in believing that the Soviet Union won the whole game, but the Russian negotiators gave away more ground than they anticipated, and Mr Brezhnev will have his internal reasons for demonstrating that the concessions are not too damaging in practice.

However, Dr Luns is quite right to express general concern. The obligations accepted at Helsinki must be kept in view, and the Russians do appear to be dragging their feet in some areas, particularly regarding the notification of military manoeuvres. This was one of the obligations they registered most strongly during the negotiations, probably because of pressure from their own military leaders. So far they do not seem to have breached the strict letter of the agreement, which obliges them to give at least twenty-one days' notice of manoeuvres involving more than 25,000 troops within 250 kilometres of the frontier of another European signatory of the agreement. They have held manoeuvres in East Germany

probably involving fewer than 25,000 men, and they may still have time to notify the larger manoeuvres expected this autumn.

Nevertheless, NATO has shown a much more constructive spirit by observing the voluntary clause which says that "participating states recognize that they can contribute further to strengthening confidence and increasing security and stability, and to this end may also initiate smaller-scale military manoeuvres". Several smaller NATO manoeuvres have already been notified, and Russian observers have been invited to a large one planned to start in Bavaria on October 14. To all these communications the only Russian response has been a truly amazing accusation in the Red Army newspaper that the current series of NATO manoeuvres seek "to block the processes of détente in Europe" and should "alarm all those who cherish the ideals of peace and progress". While we can amuse ourselves trying to see how Russian manoeuvres promote détente, peace and progress, it is alarming that double standards of this sort should continue to be seriously propagated in Moscow.

Public service pensions

Mr. Commander D. J. Walliker writes: After Mr. Trevor Powell's letter on 19th Sept. I put the record straight. The pension award which should have been effective until December 1, 1974, was known as the State Pension, and was paid at 26.1 per cent. Public service pensions are therefore the last of the 1974-75 round of "pay" to be more pleased.

If the Government's action measures are so successful, hold the real price index on July 1, 1975, to June 30, 1976, to 10 per cent or better still, faithfully, WALLIKER, Walliker's House, Kent, September 19.

Inherited inheritance

Mr. A. A. Preece writes: Inheritance (Family and Idioms) Bill—Mr. Cowles's letter on 23rd September 18. I was very pleased that you published this letter, raised a subject upon which people must be feeling considerable disquiet. This disquiet is founded by the knowledge that, our present unsatisfactory provisions designed to frustrate dispositions intended to defeat creditors. Recipients of gifts made within six years immediately before the donor's death must now beware not only estate duty and capital transfer tax, but also this Bill.

estates to be frozen for the six months during which claims under the Bill might be commenced, the period should be reduced from six to two months. This reduction would bring it into line with the period which an executor or administrator must allow for creditors' etc. claims, after placing the requisite advertisements pursuant to the Trustee Act, 1925. The amendment would prevent the Bill increasing the time taken to administer an estate in most cases, and would meet the objections of Mr. Cowles.

The Government's peremptory rejection of this proposal on one occasion tends to leave one only able to rationalize its attitude on the basis of the suggestion contained in the last sentence of Mr. Cowles's letter. The Bill will, if enacted, lead to considerable friction between the legal advisers of executors and administrators of estates and beneficiaries, but a government which has already demonstrated its willingness to attack the confidentiality of the solicitor-client relationship will not doubt regard the driving of a further wedge between lawyer and client to be a favourable spin-off.

Unfortunately, the point raised by Mr. Cowles is not the only highly unsatisfactory aspect of this Bill. Those who struggle through clause 10, which is headed: "Powers of Court in relation to transactions intended to defeat applications for financial provision", may be forgiven if they wonder whether they are in the midst of anti-avoidance legislation dealing with estate duty or capital transfer tax, or bankruptcy provisions designed to frustrate dispositions intended to defeat creditors. Recipients of gifts made within six years immediately before the donor's death must now beware not only estate duty and capital transfer tax, but also this Bill.

Furthermore, all joint tenants' rights in property are affected by clause 9, which modifies the right of survivorship. The effect of this clause can only be described as expropriation of the joint tenants' without compensation, in some cases. Indeed, the possibility is admitted of a share in a mari-

monial home, held in the joint names of husband and wife, being ordered by a court to be made available to meet a claim under the Bill by a mistress of the deceased husband. Yours faithfully, A. A. PRECEE, Law Department, University of Wales, Institute of Science and Technology, King Edward VII Avenue, Cardiff.

A formula at Stormont

From Mr. David Trimble writes: Your report today on the United Ulster Unionist Coalition paper submitted to the Convention and the position of Mr. Craig may give rise to a misunderstanding. The Convention's business committee asked each group in the Convention to submit a paper setting out their basic principles. This is not a "final" document; it contains just the bare bones of what we would like to see in a report. On the formation of an executive it states that this should accord with "the practices and precedents of the Westminster Parliament".

As there are precedents at Westminster for the formation of voluntary coalition in certain circumstances, this possibility is therefore implicit in the UUUC paper. There is therefore nothing strange about Mr. Craig's support of this paper. In any event, the position adopted by Mr. Craig and others, namely that we should be prepared to explore with other parties in the convention the possibility of a coalition operating within the basic constitutional framework adumbrated in the UUUC paper, is not something that could be included in a document relating to basic constitutional structures. Yours faithfully, DAVID TRIMBLE, Ulster Unionist Convention member for Belfast South, Northern Ireland Convention, Parliament Buildings, Stormont, Belfast.

Government of London

From the Leader of the Greater London Council writes:

Sir, Your editorial concerning the GLC in today's Times (September 25) was negative to the extreme. To call for a review of London government shows a lack of understanding in what the GLC has managed to do in the past decade; and a lack of any clear solution in the mind of your own leader writer.

The GLC, as reported in your columns last Tuesday, showed that it is not lacking firm opinions as to how the regional government of London can and must be improved in the near future. We are seeking the same powers which we understand are to be devolved to the Secretary and Welsh Assemblies and should be devolved to London.

I stated in Tuesday's Council debate, and I repeat, that it is wrong for the boards of non-elected nationalized industries and large government departments to make key decisions on the future of London. These decisions must be made by the democratically elected representatives of the people whom they affect.

I leave it to your readers to conclude for themselves whether your remedy of a prolonged Government review, leading to uncertainty not only for the GLC but also for the other newly created county authorities, is desirable at this time, or whether the GLC's campaign to secure the regional powers currently exercised by the central Government and other public bodies is one which should be supported for its relevance not just for London but for the whole country.

Yours truly, REG GOODWIN, The County Hall, SE1, September 25.

From Mr. Nicholas Browne writes:

Sir, I fully agree with Mr. Douglas Eden's letter (September 23) on the future role of the GLC and the necessity for a decision regarding its future. I also cannot see how a great municipal unit like London can be without a coherent overall leadership but for this to be effective it must be on a regional basis. However, London is only one part of the British Isles and any constitutional framework that is evolved must take into consideration the whole of the country. If there is going to be a minister for London in the Cabinet why shouldn't there be a minister for the Midlands? What is really needed is a decision on the role and power of regional authorities, not only in London but also in Scotland, Wales and elsewhere. What people want to know is whether these authorities are piecemeal arrangements or do they have constitutional coherence with another and the central government.

These are questions which will demand a measure of statesmanship to evolve but they are also questions which must be discussed because constitutional innovation without consensus usually fails. The question of London's government must not be divorced from the constitutional question of regionalism in general. Yours sincerely, NICHOLAS BROWNE, 44 Charleville Road, W14.

Antiquities in Cyprus

From Mr. Jacques Dalibard writes: Sir, Since I was mentioned by name in a letter written by Sir David Hunt concerning the antiquities in Cyprus, published in The Times of July 12, 1975, I would like to reply.

I am the chief of the Restoration Services Division of the Federal Government of Canada. I was engaged by Unesco as a consultant on the antiquities in Cyprus, and have been working for the Protection of the Cultural Heritage of Cyprus, was accepted by all parties concerned in the island. I have spent February and March 1975, a week in June and a week in August 1975, and September 15 in Cyprus.

Sir David is obviously well informed and the facts contained in his letter are accurate, but it fails to present a complete picture of a state of the cultural property in Cyprus. It is true there has been a certain amount of indiscriminate stealing and destruction of antiquities on the island during and since the events of July and August 1974. But there was no systematic and organized looting of the cultural heritage of Cyprus. And on the whole, considering that a war took place, the losses are relatively small.

More important is the fact that since March, a considerable effort has been made on the island to preserve the cultural heritage and as of September 15, I can say that the antiquities are well protected. Therefore, I cannot but disagree with the last statement in the letter of Sir David in which he says: "The organization (Unesco) may not be able to provide effective protection to the antiquities of Cyprus."

Actually, it is through an intervention by Unesco that measures have been taken and with successful result. Of course, I cannot in this letter go into details, but I hope that this statement will reassure to a certain extent the many people in the world who are concerned about the cultural heritage in Cyprus. Yours sincerely, JACQUES DALIBARD, Adviser for the Cultural Heritage of Cyprus, United Nations Educational, Scientific and Cultural Organization, 7 place de Fontenoy, 75700 Paris.

Liquidity of Burmah Oil

From Mr. J. M. Rankin, QC, and others writes:

Sir, It is now eight months since we, along with approximately 160,000 other personal and trust stockholders in Burmah, sustained loss as a result of the events at the turn of the year.

Stockholders have unfortunately been to date denied the precise details of these events. The outline, however, is clear. Burmah had reached a major liquidity crisis, and resorted to the Bank of England for a loan of £100m. The loan was provided, initially, on the basis that it agreed, *inter alia*, to pledge its unpledged holding in the British Petroleum Company Limited; but subsequently as a result of further support, the original condition was tightened, on the direction of the Government, to one of outright sale of this pivotal asset.

Yet support could have been provided for Burmah, less disadvantageous to the company and more onerous to the Bank of England. The then board's request for a profit-sharing arrangement on any later resale of the BP stock, although acceptable to the Bank of England, was refused by the Treasury. Faced with the only alternative of liquidation, the then board acquiesced. The result was that on January 23, 1975, the Bank of England (by that time, the Government's, relieved its customer of 77,817,507 £1 BP stock units for a total consideration of £179m, ie, 230p per unit.

This forced sale (for that is the substance of the matter) by a temporarily embarrassed customer to its banker on such harsh terms is unacceptable to common morality, let alone banking ethics. Its imposition was the Government's. The Bank of England in this matter was acting in several separate roles: it was variously pledged and a banker to Burmah, but it was also the Central Bank, a state institution, and an arm of Government legally subservient to the Executive.

Whether it successfully reconciled these roles raises legal questions which are still under consideration. But, as a director of a clearing bank, said at the AGM of Burmah in June: "If any of the London Clearing Banks or the Scottish Banks had had to handle this vast Burmah rescue operation, and they had done it in this unnecessary, unfair, and oppressive way, they would have been severely reprimanded by the competent authority—the Bank of England."

The BP stock was Burmah's historic and greatest asset, held since the days when it gave birth to BP (then the Anglo Persian Oil Company) and later together with BP and Inland, the Bank of England, secured the Royal Navy's oil requirements at the instigation of Churchill and Fisher.

The old Burmah board repeatedly stated that it would never dispose of this asset without the stockholders' assent in general meeting; on this basis many investors acquired or continued to retain their stock. The Government and the Bank of England must have been fully aware of these assurances, and that the board would be in breach of them in acceding to the Government's terms for assistance: their existence was, however, brushed aside as being a matter between the board and the stockholders alone. Burmah, to quote the Paymaster General, was a "supplier" and the Government was "entitled to impose what terms it chose."

This breach of faith and its condonation by the Government might have been excusable had the parties negotiated a fair price for the BP stock. It was a travesty of a negotiation: equality of bargaining power was manifestly absent; it was Hobson's choice. The sale price was decided, according to the Department of Energy, on the basis of that it lies half-way between Byzantium and Heracleia in a region devoid of a "Greek or allied" cities, and whose inhabitants had a record of mistreating Greek mariners who fell into their hands.

If Calpe had really been not seven or eight hours' travel from either city but 12, its attractions, in terms of the support it might expect from other Greek cities on the Black Sea, would have been even greater, and Xenophon would have said so.

What Xenophon gives us is one of the very few pieces of real evidence bearing on our problem, and it would seem wise to start from that point unless it can be shown to be incompatible with the laws of hydrodynamics and with their application to ancient Greek ship design.

Yours faithfully, HUMPHREY LYNCH, 2 The Bowling Green, Evesley, Brackley, Northamptonshire, September 23.

Dialogue at Bow From the Rev Joseph McCulloch writes: Sir, The Times Diary today (September 24) publishes a very severe criticism of my hectoring performance in yesterday's dialogue with Dr Germaine Greer at St Maryle-Bow. Unfortunately, the criticism was entirely justified, and could rightly be more severe. I can offer no adequate excuse or explanation. It was certainly not the fault of my guest, who played her part admirably.

The fact is that I threw overboard. I hope not irretrievably, the lessons I have learnt over long years of taking part in these dialogues, and lapsed into the inquisitorial role which ruins their whole character and purpose. For this recidivism your Diary is probably right in attributing to the Devil, who, as I can vouch from experience, seems to devote much of his short time to cloying men.

As I do not agree with the character in *Arms and the Man*, who boasted "I never apologize," I would be grateful if you would allow me to make a sincere apology here both to Dr Germaine Greer and to our audience. Yours faithfully, JOSEPH McCULLOCH, St Maryle-Bow, Chapside, EC2.

Many other companies have been forced by their own mistakes and the economic climate into the hands of the banks and their receivers (including conspicuously the Bank of England) and the problem of loans secured on temporarily depressed assets has been commonplace. Some companies have been provided with quite remarkable sums from the "lifeboat fund" until the market—the property market, usually—recovered sufficiently for the implementation of a regulated programme of disposals—a tacit acknowledgement that a shattered market place may not provide the best assessment of true worth. Why was the same sympathetic treatment as was given, for example, to the secondary banks, not extended to Burmah?

In considering morality and fairness your readers will recall the indignation expressed by members of the Government (then in opposition) when in the 1960s Ferranti Limited made a large profit on the Bloodhound missile. A profit of 72 per cent was denounced as "a scandal of great dimensions", and Ferranti had to make a substantial refund to the Government. Compare Burmah. Using the Government yardstick, the Government now has a profit on its purchase of the BP stock of £240m or 132 per cent. How far can double talk and double standards go?

The truth of the matter is that thousands of small investors have been deprived of their savings and of their income by this forced sale, and deprived by Government action to the Bank of England of small investors—over 150,000 in number—include a very large proportion of the retired and elderly; their holdings are now worth less than £250 per stockholder.

Through the courtesy of your columns we call upon our fellow Burmah stockholders and the many others who regard the Government's action as objectionable, to unite with us in pressing by all legitimate means for a review of this extraordinary purchase, which has brought worldwide discredit on the Government's behaviour and many, and heavy loss to all save the Exchequer whose profit is truly "a scandal of great dimensions".

Yours, etc, JOHN M. RANKIN, President, Burmah Shareholders Action Group, BALLANTRAE, J. G. BEEVOY, G. BULL, A. M. G. DARBY, ESTHER FALCONER, STUART HIBBERD, MAYNARD JENOUR, STEPHEN H. LONGRIGG, H. T. LYDFORD, A. J. PEECH, W. R. RISK, C. D. SILLS, J. M. L. STONE, 4 Albany Court Yard, Piccadilly, W1, September 25.

The Greek trireme

From Mr. Humphrey Lynch writes: Sir, It would be the greatest of pities if the controversy about the speed of the trireme were allowed to expire for lack of fuel. Not only is it meretriciously irrelevant to our present discontents, it has become a delightful free-for-all in which armchair historians and persons having only the slenderest acquaintance with ancient history or sea-faring are all permitted to have a go. And now with Mr. Peters's letter (September 23) acquiescing that note of acerbity indispensable to all properly conducted controversies. In case, therefore, that a shortage should arise of oil to pour upon the flames, please allow me to come forward with my own little bucket.

I take it as established that, given his assumptions, Mr. Peters has shown that triremes did not reach a speed of 12½ knots. What a shame that this supply of used envelopes should run out before he could tell us how fast they could go! I believe, subject to correction, that the power required to move a given hull at, say, two-thirds of its theoretical maximum is normally less, and sometimes much less, than two-thirds of the power required at the maximum. So can we be told, please, how many oarsmen, each producing 1.10 horsepower, would be needed to move Mr. Peters's trireme at eight knots?

I choose this figure because it is so plainly implied by the statement of Xenophon that the trireme was miles from Byzantium to Heracleia, he says, "a long day's voyage", and since the meaning of "a long day" must be a summer's day from sunrise to sunset (at least 15 hours—that implies an average of eight knots).

It will not, I fear, do to brush Xenophon's evidence aside, as Mr. Nelson does, by saying that his project of founding a colony on the coast at Calpe. The site, he says, has many advantages and he evidently regards it as one of them

Dental treatment in emergency

From Dr K. D. Kwok writes: Sir, Messrs Morgan and Weedon have evaded the point of Mr Rizvi's complaint (September 23), which was that the five dentists that he contacted declined to give him emergency treatment on the same day as a National Health patient, seemingly because they were fully booked, but were able to do so, and in one case immediately, if he were to pay as a private patient.

This is surely an unacceptable state of affairs. General practitioners in the National Health Service are obliged to see emergency cases, and it is not unreasonable to expect dentists in the National Health Service to provide this service. Yours faithfully, K. D. KWOK, 57 Harley Street, W1, September 24.

From Dr Brenning James writes: Sir, Under the National Health Service in this country the majority of emergency dentists are practised by general practitioners. Your correspondent Mr Rizvi could easily have obtained prompt and effective treatment from his own doctor or the casualty department of his local hospital. Yours faithfully, B. JAMES, The Doctors' House, Clarendon Road, Marlow, Buckinghamshire, September 24.

Disaster relief

From Brigadier M. J. D'A. Blackman writes: Sir, I have just returned from Washington DC and Ottawa (Mr Chancellor and Mr Hanning's letter of September 4) having had lengthy discussions with the Foreign Disaster Relief Coordinators in the Department of State and External Affairs respectively and as a result I feel I should, in view of the recent letters in your columns, update the record.

As my particular fellowship work deals exclusively with logistics and a transport service. In other words how, in an emergency situation, supplies can be lifted from the donor country to the survivor at the very end of the long logistic chain in the stricken country.

I would be pleased to support a number of the views expressed by Professor Livingston (September 17) particularly where he mentions a Nato force. This could be restrictive anywhere except in the countries of the treaty organization. On the other hand a number of the nation within the alliance might well co-ordinate their transport resources in order that the load could be shared and duplication avoided, the lift being available to carry national relief supplies, supplies from United Nations agencies such as FAO, WFP and WHO and not least for the voluntary agencies.

I would stress that the burden of my work is in the field of logistics within the stricken country where that country's own resources are either exhausted or over-stretched.

In such a situation I feel I cannot but be grateful to your Field Marshal Lord Wavell when I wrote in World War II: "The more I have seen of the war the more I realize how it all depends upon administration and transportation (what our American allies call logistics). . . . A real knowledge of supply and movement factors must be the basis of every leader's plan." Yours sincerely, MICHAEL BLACKMAN, Lake House, Lake, Salisbury, Wiltshire.

The traditional Mass

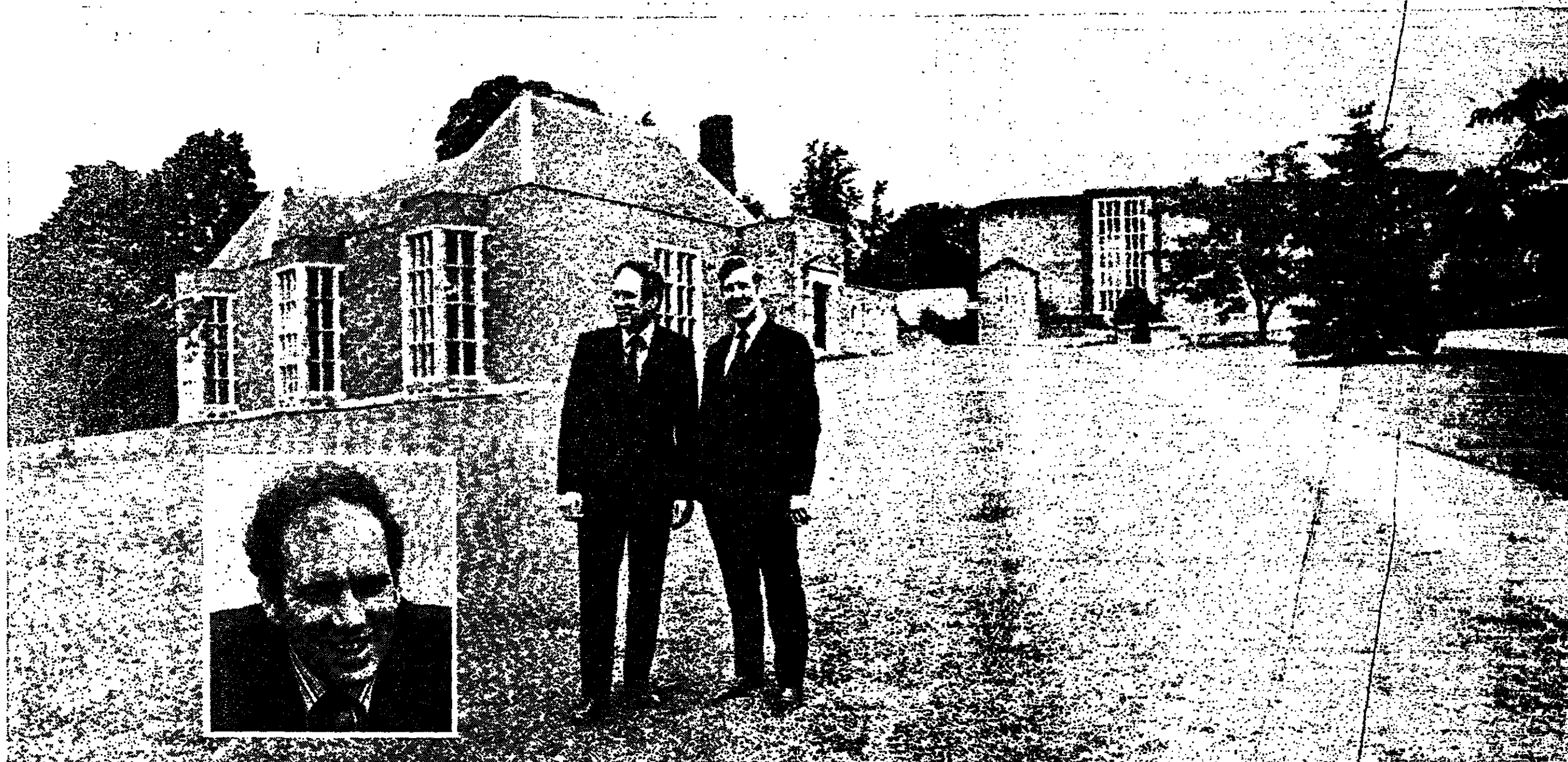
From Mr Peter Scott writes: Sir, Father Halliday's letter (September 18) leaves me puzzled. It is, surely, the reformers who have opened wide "the road to chaos", with their "liturgical pluralism". The new regulations permit a wide range of performances—from a colourable imitation of a High Mass at the London Oratory to the pop and folk Masses that delight us elsewhere. Even more variety is allowed *de facto*. In France or Holland, for example, anything goes—except the Traditional Mass. England is less progressive; and yet at a school Mass the other day at one of the best Catholic schools in London the "pentecostal rite" was replaced by a talk on Mr Graham Greene's bishop will complain about this, or similar flights of fancy. It does not appear, then, that the celebration of the "Tridentine" Mass would add to the chaos.

The Traditional Mass must be suppressed (and what better time than this Holy Year of "Reconciliation"?), because it is the Mass of the Traditional Catholic religion; was the new Mass the Mass of the new catholic religion that has taken its place.

That is the issue; and that is why feelings, on both sides, run high. Yours faithfully, PETER SCOTT, 25 Corton Road, W5.

The Liberal leadership

From Mr John Pardoe, Liberal MP for Cornwall, North writes: Sir, I was surprised to read in Geoffrey Smith's article on Monday (September 22) that I had refused to vote unanimously when confidence in Jeremy Thorpe's leadership was discussed at the Liberal Assembly. In fact, Thursday's Daily Mirror I was equally surprised to see Terence Lancaster, the Mirror's Political Editor, write: "Jeremy Thorpe has also received the unanimous support of his MPs." Would it be possible for Geoffrey Smith and Terence Lancaster to get together some time so that we could all know exactly what did take place at the meeting of the Parliamentary Party? I was only there, and so obviously I would have absolutely no idea what happened. As far as I can remember, however, no vote was suggested or taken, and Jeremy Thorpe's leadership of the party was in no doubt. Yours faithfully, JOHN W. PARDOE, House of Commons.



Mr Stoneman (Chairman, left) and Mr Garnsworthy (Joint Managing Director) in the grounds of Exeter University - an early project in which the E.B.C. Group was involved.

"We expect first-class service from our bankers. We have never found the Midland wanting."

-David Stoneman, Chairman of E.B.C. Group Limited.

"Just before World War Two, at the instigation of my father and Mr Frank Sleeman, several building firms in Exeter banded together to form Exeter Building Contractors Limited, later renamed E.B.C. Group Limited. During the war they carried out work ranging from building contracts to the manufacture of ammunition boxes.

"At the end of hostilities, the Company expanded its activities and



took a major part in the reconstruction of Exeter city centre, so badly damaged by bombing."

Midland experience and help

David Stoneman is the present Chairman of E.B.C. Group Limited.

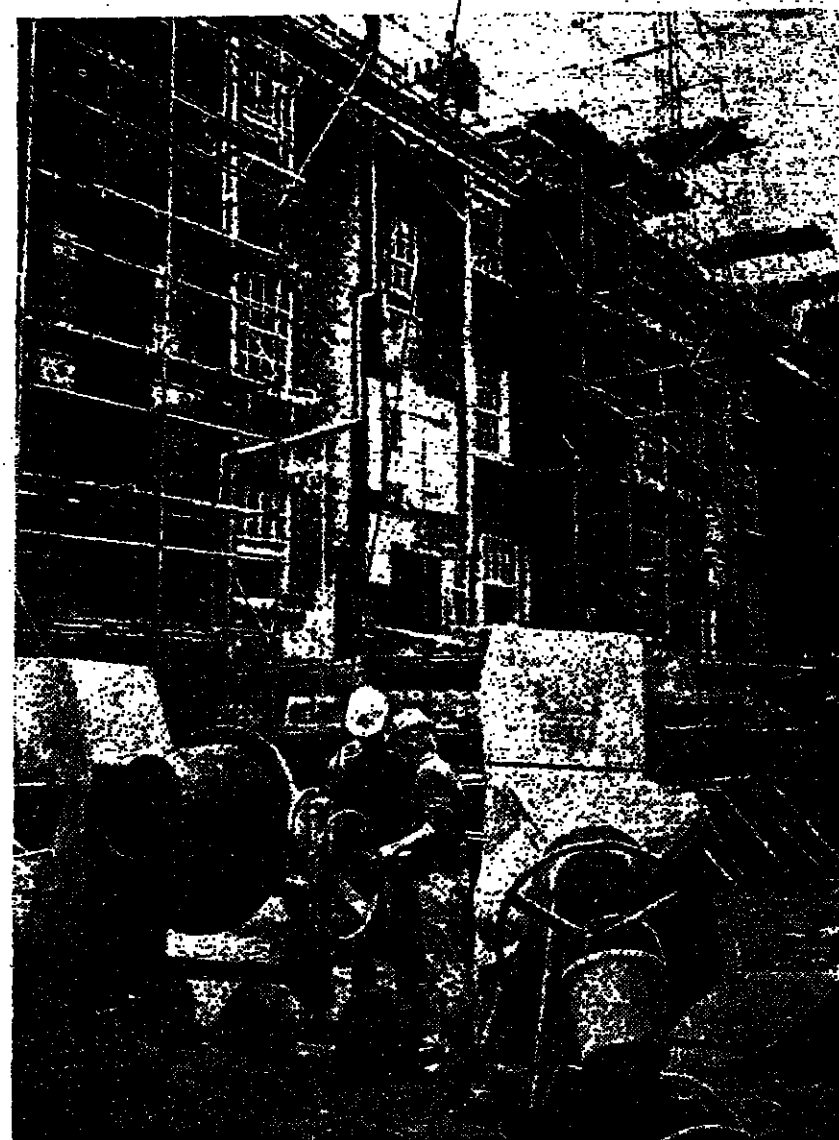
"I opened my own account at Midland Bank while I was still at university," he says. "At the same time, my father and his colleague moved the Company's account to the Midland. The two decisions were quite separate.

"I personally bank at the Midland because my father did, his firm did, and now both my sons do. The Midland runs in our family.

"Moving the Company account was a business decision based on the conviction of Midland's efficiency and progressiveness as a major bank. Apart from normal clearing bank facilities, the Midland gives us specialised assistance which is relevant to our own particular industry."

Diversification and growth

"In recent years we have diversified into all kinds of construction, ranging from hospitals, multi-storey car parks and supermarkets, to offices, theatres and libraries. We have also extended our activities into a number of sub-contracting and supply operations like plastering, joinery, maintenance and plant sales. Geographically we are also expanding and are no longer



Georgian property in the centre of Exeter being restored by E.B.C.

limiting our interests to the South West.

"Contact with Midland Bank exists at many levels. We are practical men and consider that we give first-class service to our own clients. A similar standard of service is expected from our bankers, and we have never found them wanting."

Midland banking means different things to different customers. Your local Midland branch can provide you with further details on the range of services available from Midland Bank Group.



Midland Bank Group

Principal trading companies: Midland Bank Limited, Clydesdale Bank Limited, Clydesdale Bank Finance Corporation Limited, Clydesdale Bank Insurance Services Limited, Scottish Computer Services Limited, Northern Bank Limited, Northern Bank Development Corporation Limited, Northern Bank Executor and Trustee Company Limited, Northern Bank Trustee Company Limited, Midland Bank Trust Company Limited, Midland Bank Finance Corporation Limited, Forward Trust Limited, Midland Montagu Leasing Limited, Griffin Factors Limited, Midland Bank Trust Corporation (Jersey) Limited, Midland Bank Trust Corporation (Guernsey) Limited, Midland Bank Insurance Services Limited, The Thomas Cook Group Limited, Thomas Cook Limited, Thomas Cook Overseas Limited, Thomas Cook Bankers Limited, Samuel Montagu & Co. Limited (Incorporating Drayton), Drayton Montagu Portfolio Management Limited, Northern Bank Finance Corporation Limited, Midland Montagu Industrial Finance Limited, Jersey International Bank of Commerce Limited, Bland Payne Holdings Limited, Bland Payne Limited, Bland Payne Reinsurance Brokers Limited, Bland Payne (UK) Limited, Southern Marine & Aviation Underwriters Inc, Bland Payne Australia Limited, Guyerzeller Zumwalt Bank AG.



COURT CIRCULAR

MORAL CASTLE
The Duke and Duchess of Kent, who are visiting London, today left for the departure of the new General of New Zealand (in waiting) and will be at the airport, London, today.

UNION PALACE
The Duke and Duchess of Kent, who are visiting London, today left for the departure of the new General of New Zealand (in waiting) and will be at the airport, London, today.

CHURCH HOUSE LODGE
The Duke and Duchess of Kent, who are visiting London, today left for the departure of the new General of New Zealand (in waiting) and will be at the airport, London, today.

PAUL VI IS 78 TODAY
The Pope, who is 78 today, will attend a service at the Abbey on the occasion of the opening ceremony of the General Synod in Church on November 11.

DUKE AND DUCHESS OF KENT
The Duke and Duchess of Kent, who are visiting London, today left for the departure of the new General of New Zealand (in waiting) and will be at the airport, London, today.

RICHTER OF DUNDON
The Duke and Duchess of Kent, who are visiting London, today left for the departure of the new General of New Zealand (in waiting) and will be at the airport, London, today.

THE GREAT RUSSELL
The Duke and Duchess of Kent, who are visiting London, today left for the departure of the new General of New Zealand (in waiting) and will be at the airport, London, today.

QUEEN'S LIFE GUARD
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Forthcoming marriages

Captain R. C. Hart, RE, and Miss E. Rose
The engagement is announced between Captain R. C. Hart, RE, and Miss E. Rose, daughter of Mr. and Mrs. J. H. Hart, of the United Kingdom Delegation, Vienna.

Mr. F. J. V. Kivran and Miss C. E. Cady
The engagement is announced between Mr. F. J. V. Kivran and Miss C. E. Cady, daughter of Mr. and Mrs. J. H. Hart, of the United Kingdom Delegation, Vienna.

Mr. R. A. W. MacKenzie and Miss S. G. Thomson
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Lunches

Foreign and Commonwealth Office
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

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Master Mariners' Company
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

Indonesia Association
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

Reception
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

Dinner
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

From Marcel Berlins
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

Civil legal aid defects 'paralysing law'
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

Constitutional Club offers to share premises
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

Memorial services
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

Requiem Mass
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

Latest wills
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

£8,000 for emerald ring
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

St Clare's Hall
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

Lord Zuckerman deplores pseudoscientists
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

From Our Correspondent
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

Relyon
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

London Bedding Centre
The President of the Royal College of Physicians, Sir Cyril Clarke, gave lunch yesterday at the Foreign and Commonwealth Office.

26-27 Sloane Street
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Ryegrass taxes botanical court

By Philip Howard
Britain's supreme court for plants, seeds, and associated vegetable matters yesterday for the first time since it was reconstituted to meet EEC legislation and for only the second time in its existence.

The Plant Varieties and Seeds Tribunal
The Plant Varieties and Seeds Tribunal convened in the Patents Office to adjudicate on the delicate case of a variety of Italian ryegrass known by the polite Italian name of "Prego".

That may sound an abstract and heretofore unimportant argument. But it is a matter of germinating interest to all agriculturalists and horticulturalists, and those with a sense of humor.

L. Dachseldt Ltd.
L. Dachseldt Ltd., the Danish agricultural seed company, from Odense, was appealing against the refusal of the Controller of Plant Varieties to grant the right to breed "Prego" in Britain.

The company also appealed against the refusal of ministers of agriculture to add "Prego" to the national list of plant varieties.

Italian ryegrass, formally known as Lolium multiflorum of the Gramineae family, is a nutritious grass widely established on waste ground, and frequently sown in leys.

To be officially accepted for breeding in Britain and for the national plant list a plant variety must be clearly distinguishable by one or more characters morphological, physiological, or other characteristics from any other variety of the same species.

"Prego" is clearly distinguishable from two other similar varieties of Italian ryegrass known as "Tiara" and "Veijrup MS".

Mr. Holger Karlsson, an assistant director of the Danish seed company, showed that "Prego" had been bred in Denmark by the Danish and West German governments. He produced evidence that "Prego" was the result of a cross between the three varieties shown by Danish tests.

For example, "Tiara" was shown to have a flat leaf that "Prego" has a more deeply lobed leaf. "Prego" was shown to have shorter ears at flowering time and greater resistance to rust than "Tiara" and "Veijrup MS".

Mr. Karlsson, litigating valiantly on his own in a foreign language, demanded that the court should be satisfied that the variety was clearly distinguishable from any other variety of the same species.

He was heavily outnumbered by a formidable crop of British botanists and other agricultural scientists led by Mr. John Robertson, the solicitor for the Ministry of Agriculture, Fisheries and Food.

They said that strict tests on "Prego" conducted at Cambridge and in Northern Ireland over five years, had not enabled them consistently or significantly to distinguish "Prego" from the other two varieties of ryegrass.

The tribunal, under the chairmanship of Lord Justice Goff, adjourned and will give its judgment in writing. The day's proceedings demonstrated deliciously that when a body meets a body coming from the ryegrass, there may be more beneath their feet than sometimes meets the eye.

Obituary

BRIGADIER M. A. JAMES, VC

Decorated in both world wars

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MR H. S. DEIGHTON
Mr H. S. Deighton died on September 20 at the age of 65. Herbert Stanley Deighton was born on March 19, 1910, and educated at Hursley School from where he went to the Royal Grammar School, Oxford, in 1928. He was a member of the Territorial Army and in 1939 joined his unit as chaplain. After a year of service he was released to work for the British Council in Alexandria and Cairo for the duration of the war. He worked in Egypt and acquired a wide knowledge of Middle Eastern affairs. After the war he returned to his work as a Fellow of Pembroke College, where he taught medieval history for the Honour School. In 1952 he resigned his Fellowship and his work as tutor and chaplain but was elected a Subalternary Fellow of the College and retained contact with it. He continued to reside in Oxford and was several times a Liberal candidate for the city Council. His knowledge of the Middle East was employed by an oil firm and he made many visits to Egypt and elsewhere. Latterly he has been a lecturer at Brunel University.

JEAN LISTER-KAYE
Jean Lister-Kaye, widow of Squadron Leader Sir Kenneth Lister-Kaye, fifth baronet, died on September 22. She was the daughter of John Labatt and after the death in 1943 of her first husband, Major R. E. Balders, MC, she married Sir Kenneth Lister-Kaye. He died in 1955.

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Stock Exchange prices Early gains lost

ACCOUNT DAYS: Dealings Began, Sept. 22. Dealings End Oct. 3. \S Comango Day, Oct. 6. Settlement Day, Oct. 14.
 \S Forward bargains are permitted on two previous days.



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Expert says North Sea fields are unlikely to be economic

rice Corina
Editor

It is clear that future discoveries of North Sea oil will be of enormous small fields with hope of economic independence. Also, he is of the view that the West Shetland, the Celtic Sea and the North Sea fields are unlikely to be economic. Mr. Warman, exploration manager of British Petroleum, said that the economic viability of the North Sea fields is still uncertain. He said that the cost of production is still too high for the North Sea fields to be economic. He said that the cost of production is still too high for the North Sea fields to be economic. He said that the cost of production is still too high for the North Sea fields to be economic.

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Sharp fall in Britain's consumption of energy

By Patricia Tiedall

A sharp decline in Britain's overall energy consumption is indicated in government figures issued yesterday. Oil, coal, gas, and electricity usage fell during the summer months compared with last year, even when adjustments are taken into account for seasonal and temperature differences.

Net imports of crude oil in the first six months of the year were 22 per cent down on the equivalent period in 1974. They totalled 45m tons, a decrease of about 13m tons on January to July 1974.

Total inland energy consumption during July was nearly 11 per cent lower than in the corresponding period of last year with coal and petroleum both down by approximately the same margin.

The decline in natural gas use, although at 7.5 per cent below that for other fuels, is the first significant fall in supplies since this fuel was introduced.

The September issue of *Energy Trends*, the Department of Energy's statistical bulletin, published yesterday, also shows that the output of deep-mined coal in August was nearly 15 per cent lower than in the corresponding period of 1974, much of the shortfall being attributed to the substantially greater holiday losses.

Open-cast production was also markedly lower and total output in the month was 1m tons less than a year ago.

Total inland coal consumption in August was more than 11 per cent down on August last year with deliveries to the industrial and domestic markets 33 per cent lower.

Electricity supplied in July was about 6.5 per cent lower than in July 1974. *Energy Trends* suggests that about half of the reduction was due to a low level of demand from industrial users. Other factors probably included the effects of the large increase in electricity prices in April and the warm weather in July.

Total gas supplied in July was more than 8 per cent lower than in July last year.

This is a sophisticated operation, as assumptions need to be made not just about the overall value of crude oil imports, but also about the community mix of the imports—reflecting, for example, changes in quality. At the beginning of this month, the average value per ton of crude oil imports was standing at £34.7 measured over the previous three months. This compared with £30.5 for the whole of 1974 and £8.4 in 1973, before the oil price squeeze began in earnest.

Prudential Insurance of America emerges as purchaser of 9.5 pc stake in Hambros

By Christopher Williams
Banking Correspondent

Prudential Insurance Company of America, the world's largest insurance company, has emerged as the buyer of a 9.5 per cent stake in Hambros, the merchant bank group. It is also injecting \$25m of new funds into Hambros by subscribing to a loan stock issue.

Prudential has acquired its holding, some two million shares, solely through purchases in the stock market, which it has been making since June. The average price paid by the Prudential was 186p a share, implying an overall cost of some £3.7m.

None of the shares has been bought from either the Hambros family or the Hambros Trust, which largely represents family interests. In the stock market it is felt that the buying operation has been skilfully handled. The market in the shares is normally very narrow, responding to small buying pressure, but the operation was conducted without the market being widely alerted to what was going on.

The loan stock which the Prudential is acquiring carries an interest rate of 10.75 per cent. It is repayable in full in 15 years, but has an average life of 12 years.

The link between Hambros and the Prudential, which has obtained the blessing of the Bank of England, came about as the result of an approach last January to the bank by the Prudential, which has been seeking for some time to obtain a foothold in Europe.

Although the largest insurance company in the world it has traditionally operated almost wholly in the United States and Canada. It has no connexion whatsoever with the Prudential Assurance, Britain's largest insurance concern.

Prudential put the two companies into perspective. Prudential of America has assets of \$35,800m and \$218,300m of life insurance in existence. This makes it about six times as big as British Prudential, which has gross assets of £2,855m and life assurance business worth some £17,600m.

Prudential of America is a mutual company owned by its 50 million policy holders. It has 25,000 sales representatives in 1,700 offices around the United States and Canada, and an annual investible income of \$4,000m.

About five years ago Prudential took a decision to move into Europe and at one point came close to setting up a new life company. Mr. Frank Hoeneimyer, executive vice president, and a director of Prudential, who has now joined Hambros' board said yesterday this approach was abandoned, partly because of difficulty in obtaining the right management and partly because of changes in tax and insurance regulations.

Instead, Prudential decided to opt for the alternative route of acquiring an interest in an established United Kingdom business. In the form of Hambros Life, Hambros already has a substantial interest in the insurance field, and Mr. Hoeneimyer said Prudential was also attracted to Hambros' wide spread of other interests.

At this stage neither party is saying what the future holds for the terms of cooperation or joint ventures. But just as it would appear the Prudential regards Hambros as providing an entry into Europe, Hambros also hopes its link with the Prudential may help it to develop business in the United States.

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Profits from meat trading 'not excessive'

By Hugh Clayton

Meat distributors were judged not guilty yesterday of making excessive profits. Sir Arthur Cockfield, chairman of the Price Commission, said: "There is no question of the housewife getting a raw deal. Margins are not high at any stage."

He was introducing the commission's report about meat prices and margins which was called for more than a year ago when farmers accused butchers of taking advantage of falling livestock prices to raise their profits.

However, the commission said yesterday that the increase in profits last year was not entirely justified. Since most slaughterhouses and shops where meat was sold fell outside the direct scrutiny provided for in the Price Code, it might be necessary to introduce special machinery to monitor them.

Sir Arthur said that shoppers were often suspicious of meat prices because they were far higher than those paid for live animals. "We have followed the meat right through from the farm gate to the shop counter."

His investigators had found that most of the increase in price was due to processing the animal for sale. "The weight of meat on the counter represents only 40 per cent of the weight of the live animal."

A steer for which a farmer received 20p a pound live would cost almost 49p a pound by the time it reached the butcher. The retail price would be about 61p. Of every £ spent on meat in shops 80p covered the price paid by the butcher, 8p went towards staff wages, 1p was spent on wrapping and 5p on other costs including transport and rent. That left 6p net profit before tax.

The commission established that the average net margin of slaughtering wholesalers was 0.9 per cent in 1971, 1.3 per cent a year later, 1.2 per cent in 1973 and 1.8 per cent in 1974. Comparable figures for independent butchers were 5.4, 5.8, 4.6 and 5.9.

Sir Arthur said that the commission was not criticising distributors who raised margins last year. "We do not criticise. We draw attention to facts. You must not think we are doing anything but trying to cast light." There was evidence that the high margins had now been corrected by competitive pressures.

He was most intrigued to find evidence in retailing in general that "things tend to go up more rapidly than they go down" when all else is equal.

Mrs. Williams, Secretary of State for Prices and Consumer Protection, said yesterday that the Government accepted the conclusions in the report.

The National Federation of Meat Traders, which represents independent butchers, said it was not surprised by the report. There had been little criticism of butchers' profits except by "a few irresponsible producers, crying through their pockets, and a few equally irresponsible..."

Cost of 15pc Opecrise put at £500m

Industrial Staff
Survey and Department of
officials are standing
live the Government
limit advice on the impli-
cations of the oil price rises
working out by Opec.
First calculations are
10 per cent upward ad-
justment could add £375m more
balance of payments on
rates of consumption
near £500m—the price
rises 15 per cent.
intention is to work out
fact in the worst possible
and then build in alter-
cost forecasts based on
ranges of possible sav-
ing consumption can be
reduced in the near
by stepping up the "Save
campaign throughout in-
dustrial industry is nervously
governments guid-

ance. The price of electricity is
subject to fairly swift fuel
clause adjustment arrange-
ments and the coal industry is
also changing to the community
mix of the imports—reflecting,
for example, changes in quality.
At the beginning of this
month, the average value per
ton of crude oil imports was
standing at £34.7 measured
over the previous three months.
This compared with £30.5 for
the whole of 1974 and £8.4 in
1973, before the oil price
squeeze began in earnest.

What becomes critical, how-
ever, is the actual import re-
quirement, which has been con-
siderably reduced in the com-
ing year, increasing the value in
import terms.

Experts assessing future
trends in the import bill have
to calculate the future average
landed value of a ton of oil in
pounds sterling, fob.

Mr. Burns warned the Senate
Budget Committee against in-
creases in federal spending,
because the federal deficit
might cause further increases in
interest rates.

"The recovery process
appears to be broadening and
gathering momentum," Dr
Burns said. He noted that in-
dustrial production rose 1.3 per
cent last month.

Many signs now seem to be
pointing to an early turnaround
in business fixed investment,"
he said. Business plans for
capital spending had "stabilized"
and production of business
equipment rose in August after
10 months of decline, he noted.

"Once expenditure on plant
and equipment begins to contrib-
ute to a cyclical recovery—as I
believe they soon may—the
pace of overall economic expan-
sion is likely to become quite
vigorous," Dr Burns said.

He gave a warning that the
recovery "could be undermined
by a renewal of strong infla-
tionary pressures." The Federal
Reserve "has been alert to the develop-
ments in the sphere of prices" in set-
ting monetary policy.

Dr Burns reaffirmed the Fed's
earlier money growth target of
5 per cent to 7½ per cent annual
growth in the money supply. He
said the Fed's target remained
"appropriate under current con-
ditions," while the economy
was recovering from recession.

AP-Dow Jones

Metropolitan & Central
Contrary to our report in
Business News on Wednesday,
Corinthian Securities has never
been a shareholder in Metro
Town and Central (which we
incorrectly described as Metro
Town and City).

Recovery in US
economy is
'gaining pace'

Washington, Sept 25.—Dr
Arthur Burns, the Federal
Reserve Board chairman, today
said economic recovery was
gaining momentum and re-
affirmed the Fed's current
policy of moderate monetary
growth.

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Companies still facing cash worry, CBI says

By Tim Congdon

Companies face a cash and
profit position which is "still
below that for other fuels, is
the first significant fall in
supplies since this fuel was
introduced."

The scale of the recent run-
down in stocks was confirmed
yesterday by revised figures
for the second quarter released
by the Department of Industry.

They show that the drop in
industrial stocks in the quarter
was £225m (at 1970 prices), a
total which is not only the largest
recorded for one quarter
but is actually greater than
that ever previously recorded
in a year.

The run-down in stocks has
been a considerable benefit to
companies' liquidity, as the
drop in current price terms is
probably a multiple of £225m.
Despite this advantage, the
CBI says the net liquidity of
the company sector has contin-
ued to worsen recently.

Most companies have been
paying off bank overdrafts as
they reduce investment and
stock levels. But the net li-
quidity of the company sector
remains negative at around
£8,000m, while gross liquidity
as a percentage of turnover
has been falling very rapidly.

The CBI gives a warning that
"it will not be long before it
is at a historically low level."

The Department of Industry
figures suggest that the de-
stocking process may still have
some way to go.

On this basis manufacturing
companies may be holding
larger stocks of finished goods
than they would like, although
their reserves of raw materials
have been pared to minimal
levels.

CAPITAL SPENDING

The following are the revised
figures published today by the
Department of Industry for the
fixed capital expenditure of
manufacturing, distributive, ser-
vice and shipbuilding industries
and for the physical increase in
industrial stocks all seasonally
adjusted at 1970 prices.

| | Investment | Total | Manufacturing | Stocks |
|---------|------------|-------|---------------|--------|
| 1972 | 4178 | 1738 | -138 | |
| 1973 | 4478 | 1864 | 832 | |
| 1974 | 4455 | 2087 | 679 | |
| 1975 Q1 | 1029 | 459 | -73 | |
| Q2 | 1047 | 429 | -47 | |
| Q3 | 1025 | 423 | -47 | |
| Q4 | 1074 | 428 | 27 | |
| 1973 Q1 | 1138 | 458 | 254 | |
| Q2 | 1057 | 443 | 277 | |
| Q3 | 1115 | 488 | 123 | |
| Q4 | 1168 | 476 | -179 | |
| 1974 Q1 | 1101 | 519 | -72 | |
| Q2 | 1066 | 513 | 261 | |
| Q3 | 1135 | 518 | 357 | |
| Q4 | 1132 | 539 | 134 | |
| 1975 Q1 | 1030 | 497 | -22 | |
| Q2 | 980 | 459 | -85 | |

Following revisions to the
index of production estimates
of the stocks/production ratio
in manufacturing industry have
been amended and at the end
of June stood at the highest
since the series was first
constructed.

Falls were concentrated in
stocks of materials and fuel
and in work in progress, but
stocks of finished goods
showed only a small decline.

On this basis manufacturing
companies may be holding
larger stocks of finished goods
than they would like, although
their reserves of raw materials
have been pared to minimal
levels.

Distributive industries had a
£104m cut in stocks in the
second quarter, compared to
£121m for manufacturing in-
dustries. Revised figures for
capital spending, also released
yesterday by the Department
of Industry, show only small
changes from the earlier
figures.

The deal includes Wülfing's
associated pharmaceutical sector
and a majority
interest in the associated
Belgian company. Beecham is
paying in cash which will be
funded by overseas borrowing.

Headquarters of Wülfing are
at Nuremberg, Germany, and the
company has production and re-
search facilities at Gronau, near
Hanover. It employs 540 people

Shore hope pinned on voluntary Japan deal

By David Blake

Mr Peter Shore, Secretary of
State for Trade, seems to have
returned from his trip to Tokyo
without any firm commitments
by the Japanese to limit exports
of cars and television tubes.

However, as a result of talks
with the Japanese ministry of In-
ternational Trade and Industry, the
United Kingdom Government
feels assured that car imports
from Japan will tend to fall
from the level of just over
1010 per cent of the market
which the top reached in August.

Nissan, which makes the Daewoo
range, has promised that sales
this year will not top those of
1974.

Talks between the Society
and Motor Manufacturers and
Traders and Japanese car
makers on the likely share of the
United Kingdom market will
which Japan can expect in com-
ing years are likely to take
place in December.

What the Department of
Trade would like, is a guarantee
that Japan's production of the
United Kingdom market will not
rise, and show signs of falling
back to nearer to the 6 or 7
per cent market share of 1974.
With car sales likely to fall next
year, this would mean a big
cutback for Japanese producers.

After a voluntary arrange-
ment is reached with Japan's
car makers, it is likely that these
will be a reduction in their
share of the market.

But if the Department of
Trade succeeds in reaching a
limitation agreement with the
Japanese, it would contravene
EEC rules, which give all power
in trade negotiations to the
Brussels Commission.

Because of these problems
the department hopes that the
Japanese will agree to a volun-
tary limitation agreement not
to sell more than mutually
agreed.

MITI officials are believed to
have assured Mr Shore that they
intend to see that cars are
"marketed in an orderly way".
The idea of "orderly market-
ing", which the Japanese inter-
pret as meaning that their sales
must not rise fast enough to
hurt local manufacturers or
lead to protests by unions fear-
ing lost jobs, is not new.

It was pushed with great
enthusiasm and limited success
by Japanese business leaders in
other EEC countries in 1971.
The European Commission has
made no secret of its suspicion
of the idea, which it says can
easily become just a market
sharing arrangement which
breaches Article 85 of the
Treaty of Rome.

However, the voluntary agree-
ment is preferred to the im-
position of import controls.
These have been called for by
most leading trades union
leaders, and Mr Shore is likely
to make a statement at next
week's Labour Party conference
in Blackpool in an effort to
reassure them that action is
being taken to protect jobs.

The threat of retaliation is
one argument which is
advanced against such controls
on cars. The Japanese might
also, it is feared, refuse to go
on with other voluntary export
limitation schemes such as
those on ball bearings, where
restrictions were applied to
cars.

The difficulty of actually pro-
ving a case of dumping is also
a factor. The car industry has
claimed that dumping is taking
place, but has so far produced
little in the way of evidence.

Prices and Margins in Meat
Distribution, HMSO £1.00.

our Rent
Review
is an
easy
matter
to settle
but is it?

For advice on these and the many other problems
of rent review negotiations, consult The Property
Consultants United Kingdom and Overseas.

PREEDY

The following are extracts
from the circulated statement
of the Chairman
H. L. Preedy, OBE, JP</

CAV claims a rotary pump advance

By Clifford Webb
CAV, the Lucas Industries company, which is the world's largest manufacturer of diesel engine injection equipment, claims to have made a remarkable "breakthrough" with a new type of rotary injection pump. It is expected to play a key role in a £35m plan to double CAV's worldwide production of a million pumps a year.

The new pump, which is suitable for both cars and trucks, is already in production at CAV's Gillingham plant and will be seen for the first time at next week's Paris Motor Show. While the bulk of the £35m is going to meet growing demands from the traditional sectors—lorries and tractors—it

also involves substantial investment in equipment for diesel cars. World production of diesel cars has been growing at more than 11 per cent a year for the past five years. Since the oil crisis broke in the winter of 1973, there has been a major swing towards diesel engines to take advantage of their 20 to 30 per cent lower fuel consumption. Diesel engine performance is largely dependent on the efficiency of the injector pump and there have been indications that CAV's 20-year-old DPA pump has been coming under increasing pressure from the company's main competitor, Bosch of Germany.

The new DP15 pump has taken more than five years to develop, CAV said yesterday. "This is a major step forward in diesel fuelling technology. It will ensure that the next generation of diesel-engined vehicles, many of which are still at the development stage, can more readily meet existing and future international legislation controlling smoke and gaseous emissions."

The design will permit engine manufacturers to tailor the new pump to engine requirements far more easily than with existing types. CAV says this should result in considerable cost savings on development work by engine manufacturers. CAV declines to give details of the investment involved in the DP15, but it is understood that this will be covered by an announcement within the next two weeks. A company spokesman indicated, however, that it was "a major sum".

Improving trend in engineering orders

By Edward Townsend
Signs of a small but welcome increase in business for Britain's hard-pressed engineering industries, which have suffered a 40 per cent dip in new orders over the past two years, are reflected in government figures issued today.

Government inexperience in statistical research

From Mr John B. Crisp
Sir, By a badly publicised order made in August the Department of Trade now require surveillance import licences for textile products from all countries other than the EEC, with separate licences for goods of different charges for goods held in the docks.

from the licences he even remotely accurate and indicative of the volume of imports? Finally, why should it be necessary, in our own case, to have separate licences for importing set stockings from the same manufacturer because some have 2 per cent lycra, others have 2 per cent dordan and some have neither of these fibres at all?

Taxing of homes partly used for business

From Mr Anthony Lewis
Sir, The Inland Revenue always seem to take the view that if part of a home is being used for business purposes then a proportion of the eventual sale proceeds are subject to capital gains tax. This view should be contested on the following grounds.

Pirelli talks with unions break down

From John Earle
Rome, Sept 25
Talks here between Industrie Pirelli and the trade unions over the Italian rubber and cable group's 270,000m lire (£190m) recovery plan have broken down after the union's refusal to accept any redundancies.

'Meddling with money' attacked

From Alan McGregor
Lausanne, Sept 25
Dr Friedrich von Hayek, Nobel prize-winner in economics last year, said today he hoped it would not be too long "before complete monetary freedom will be regarded as the mark of a free country."

In forceful criticism of Keynesian theories, he contended that they could not cure unemployment but simply make it worse. A "lost generation" of British economists had supported Bretton Woods out of misguided patriotism rather than in any belief that it would promote a satisfactory international order.

He said government control of monetary policy had again proved fatal: "The more intelligently they try to act the more harm they seem to do." Unless they came up against an absolute obstacle, authorities had never been able to resist the pressure for more and cheaper money.

Advance factory controls

From Mr H. S. Axton
Sir, Mr Healey's £175m package provides for £20m to be applied to the construction of new factories worth far more than this sum at no cost to the country if the present strait-jacket of controls and adverse taxation was sorted out.

trial Development Certificates similarly restrict the erection of factories by pursuing a now out of date policy, especially with regard to the central London area, and the Department of the Environment has authorised local authorities to levy rates on advance factories if for any reason these remain unlet for over three months.

From Mr C. J. Charnley
Sir, Over the years there has been a lot of written about the lack of investment in machinery and equipment, but an equally serious situation applies to investment in advanced engineering education.

Alitalia aims at profit with four-year plan

Milan, Sept 25—Alitalia, the Italian state-controlled airline, today announced a four-year plan providing reorganization of its fleet to achieve a profit balance of 6,000m lire (about £4.25m) by 1979, after several years of severe losses.

No deaths from radiation at British nuclear stations

By Kenneth Owen
Sir John Hill, chairman of the United Kingdom Atomic Energy Authority, has said that no deaths have been caused by radiation from British nuclear power stations.

Writing in the current issue of *Coal and Energy Quarterly*, Sir John says: "We have, of course, had accidents and we will have more, but as far as I know so far, not one case of death has been positively attributed to radiation associated with the British nuclear power programme."

Exports of wool textiles rise by £2.1m in July

By Ronald Kershaw
Northern Industrial Correspondent
Earnings from United Kingdom wool textile exports in July showed an increase of £2.1m over the June figure. At £20.3m they were £200,000 or 1 per cent higher than in July last year.

Fords bartered for sheepskin car seat covers

Ford of Great Britain yesterday announced the conclusion of a deal covering the export of several hundred Escort models to Uruguay in exchange for sheepskin car seat covers. Initially, the car exports will be worth about £3m, but Ford said it hoped to export 500 cars to Uruguay eventually.

Education needs investment

From Mr C. J. Charnley
Sir, Over the years there has been a lot of written about the lack of investment in machinery and equipment, but an equally serious situation applies to investment in advanced engineering education. I refer to the lack of British students in undergraduate and postgraduate courses which, in an alarming extent, are educating and training overseas.

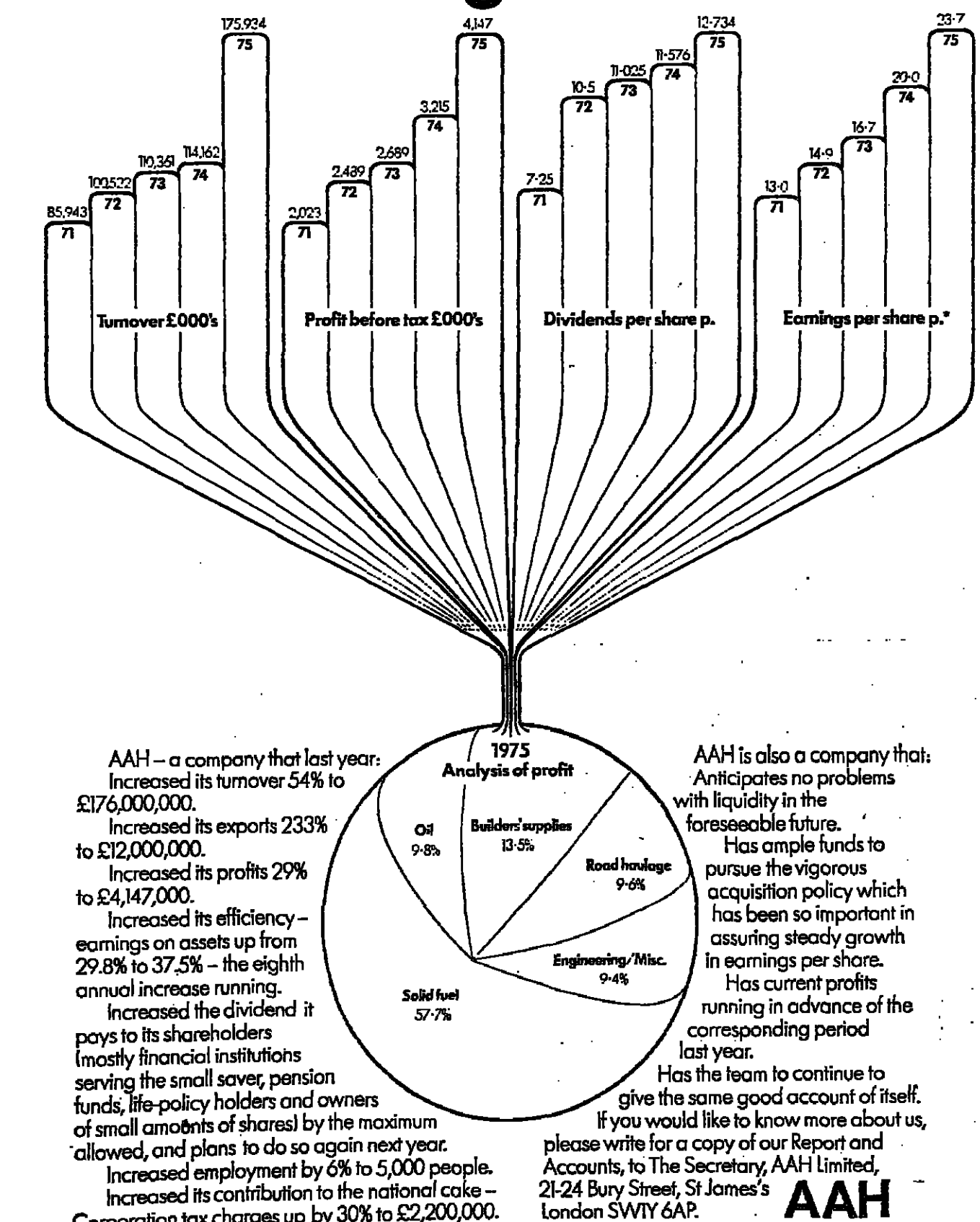
Preserving the identity of professional engineers

From Mr J. D. Sampson
Sir, In his article of September 22, Derek Harris drew attention to the proposed winding up of The Engineers' Guild. It is the disappearance of a body which was intended to undertake for the engineering profession the representative job which the BMA carries out for the doctors.

Business appointments

Mr Allen Greenwood to lead BAC
Mr Allen Greenwood will become chairman of British Aircraft Corporation from January 1, after the retirement of Sir George Edwards from the chairmanship and from the boards of BAC and of BAC (Holdings) on December 31.

Real growth



New financial setback predicted for Zambia

Zambia's already ailing copper economy is yet to face another setback resulting in a severe dwindling of foreign exchange reserves, Mr Alexander Chitanga, Minister of Planning and Finance, has predicted.

Interim Statement

| | 6 months to 30.6.75 | 6 months to 30.6.74 | Year 1974 |
|---|---------------------|---------------------|-----------|
| £m | £m | £m | £m |
| The Net Profit (after depreciation, interest and other expenses) is estimated at: | 15.2 | 13.7 | 33.5 |
| Corporation Tax thereon (taken at 52%) | 7.9 | 7.1 | 17.3 |
| Leaving a Net Profit after Corporation Tax of | 7.3 | 6.6 | 16.2 |

Mr R H Gane, the Chairman, stated:

"The value of work carried out during the half-year at £215m was some £48m higher than the first 6 months of 1974. The value of work on hand at 30 June 1975 shows a very substantial increase on the previous year. I am happy to report that our workload of No-Fines houses for local authorities is running at the same high level as last year.

Sales of private houses show an increase on 1974.

We cannot forecast what market reduction will take place in the UK 12 months from now but our overseas workload is 76% up on last year and we expect this rise to continue. Finally, we anticipate a record turnover for 1975."

George Wimpey & Co. Limited, Hammanham Grove, London W12 7EN

BY THE FINANCIAL EDITOR

Worse than Delta expected

he put up £12m for the Delta rights issue back had been forewarned current year was not to be a good one. But Delta management, it is said, had little idea until the second quarter was going to prove tough as suggested by a note in first half report on recession, according to which Delta's earnings are turning out to be worse than originally envisaged and, though now signs that the demand has bottomed out, the group is taking an unduly cautious stance in the reduction of financial results to those for the first

the only consolation holders at this stage the forecast of a main dividend does not appear jeopardised—throwing an active yield of 11.5 per cent—albeit that the payment is almost certain to be recovered.

is giving little away in profit breakdown in six months, but the image has clearly been United Kingdom building division, where consumer off-take and destocking have come demand down by cent from its peak in '74.

cas. operations, which d 36 per cent of total profits last year, have fared as poorly home businesses, but ne none too well for all overal of the European ies have been, especially t, and, though the Aus-performance has been y good, the having of interest is said to give table guide to the kind act that the building n has had on the South operation—where, of the Rand devaluation is, do nothing to help in terms over the rest of

well prove, I suspect, it will emerge from the half with appreciably an a mere doubling of opening six months, but th the prospect of pre-recovery through capitalization of some in only be rounded as looking, leaving the traction of the shares in tively high yield.

ation £70.8m
1975 (1974)
1.7m (1.2m)
Profits £4.04m (£4.1m)
d gross 2.8p (2.72p)

at went

ng

ing was given, but the did not expect Ozalid's If figures to be quite as after news of a near-40 collapse in interim pro- £2.77m on maintained £4.09m, the shares went 5p to 127½, but the picture worldwide n difficult in the main aphic products business, America there was a If loss which, despite ing improvement now, ly in be fully recovered year end. Moreover, as taken account of the devaluation in these and South Africa is an it and profitable busi- the company. other significant factor he company has had no creases for a year in ed Kingdom (hence the in margins) though it an application in and able to get prices up and 10 per cent from

November. All in all it looks as though Ozalid's splendid growth record is going to be spoiled this year, and while should still be happy about adequate cover for a main- mained dividend the yield of 6.3 per cent is not going to prevent a further fall in the share price.

Interim: 1975 (1974)
Capitalization £33.7m
Sales £40.9 (£40.6m)
Pre-tax Profits £2.77 (£4.57m)
Dividend gross 3.34p (3.24p)

Pearson Longman

A tough first half

United Newspapers had already given a fairly good idea earlier last week of just how severely the recession was treating provincial newspaper industry, but the market still found the first half figures from Pearson Longman rather disappointing. True, the half took in a healthy industrial dispute, but the figures from Westminster Press still make grim reading, with profits for the opening six to £291,000. Cover price in- creases helped lift WP turn- over some 16 per cent (to £21.5m) and, though there was some help from advertising revenue too, the group reckons that its relatively heavy con- centration in the south east has probably left it worse off in this particular downturn than groups with a heavier northern bias.

In addition, the associate companies have been hard hit, chipping in only £279,000 against £789,000. But, against this, the Financial Times Group has done somewhat better than generally expected in holding the fall in profits to little more than a quarter at £1.03m. Here the average cover price was up some 50 per cent over the period but, more important, advertising held up reasonably well thanks to the recovery in the stock market.

The bulwark this year, as forecast, is Longman Penguin, where profits are running almost a quarter higher on a 23 per cent sales gain. Hardly surprising, the momentum here has come largely from the overseas companies, but the home market has, apparently, proved reasonably resilient. With the July-September quarter proving an even lower season for advertising revenue than usual, it would still seem to be early days to be looking for any improvement on the newspaper side. But with Longman Penguin still going strong overseas, a historic yield of 81 per cent is probably adequate support for the shares (81p) at this stage of the cycle. In the meantime, the market will probably be lowering its sights for profits from S. Pearson, the parent company, due next week.

Interim: 1975 (1974)
Capitalization £33.4m
Sales £49.7m (£42.5m)
Pre-tax Profits £3.58m (£4.96m)
Dividend gross 2.15p (2.09p)

Hambros

The best type of shareholder

Hambros' total capital resources were down by £13m to £96m last year, but its liabilities were contracting too, so the overall capital strength was very little eroded. Such slippage as there was was unlikely to have exercised the Bank of England greatly, but these days banks are looking for more rather than lesser strength, and particularly if like Hambros, their performance has been the sub-

ject of much market specula- tion.

The first point to note about the link with the Prudential of America, then, is that the £25m loan more than restores the capital position. Given that more than half Hambros' business is non-sterling the bank can clearly put the dollars to good use and has obtained them for 15-year maturity that would certainly have been unobtainable in the Eurobond market. So there cannot be too many complaints about the loan terms. Nor can it be un- welcome to Hambros to count among its shareholders a colossus with \$4,000m of invest- able funds flowing in annually, some of them possibly available to be deposited with Hambros, should circumstances merit it. Rather more difficult to see at this stage is just what is in the deal for the Prudential. It seems fully aware that, despite its size, it is a total new boy to the European market, and Hambros' spread of expertise is bound to be useful. For the link to be worthwhile, however, one must assume the Prudential has ambitions, especially in those fields it already knows well. That could work to Hambros' long term benefit too and, despite the 5p fall in the shares to 195p in an overexpectant market, the news is good for Hambros' shareholders.

George Wimpey

Underpinned by overseas growth

Barratt Developments pointed it out earlier this week, and now the housebuilding leader, George Wimpey, has confirmed that good money is still being made in private housing—provided you are at the lower end of the market.

Wimpey, with profits running 11 per cent ahead at £15.2m after six months and forecast- ing record turnover this year, sells houses at an average price of around £10,000. So, while unit sales are still well below the levels being set by the two big ones, there should be an improvement of up to 25 per cent this year over 1974 to around 10,000 houses sold. On these margins may still be under pressure, but they are better than was the case 12 months ago.

This coupled with continuing good business—although not without political risk these days—on local authority housing, seems to eliminate any danger of a sharp downturn at Wimpey, while nothing short of explosive growth in overseas contracting and civil engineering, a bonus shared by other major UK contractors, suggests Wimpey may not have returned to the sort of profits plateau we saw prior to 1972. Overseas turnover, 20 per cent at Wimpey last year, could be running as high as 30 per cent by the end of 1975—and that has to be set against overall turnover growth which is running almost 30 per cent ahead after six months.

Much of this overseas growth, of course, is coming from the Middle East, though Canada continues to improve. With the Wimpey's overseas order book 76 per cent higher than a year ago, the group looks well able to absorb some difficulties at home—and, with its name appearing in its United Kingdom contracting and civil engineering business. On that basis, the shares at 118p and selling at perhaps 81 times prospective earnings may have a little further to go in the short term, though the yield, only 1.43 per cent, is not going to help.

Interim: 1975 (1974)
Capitalization £151m
Turnover £215m (£167m)
Pre-tax Profits £15.2m (£13.7m)



Meanwhile, what of Campbell Adamson? The man, and the firm, which can be said with certainty is that he will not follow his predecessor John Davies into politics—unless, of course, the other Place offers him a seat and that's the sort of thing which modestly forbids any man speaking about until it happens. So, along with trying to guess who will take over from him, we will all be trying to work out who any headhunters inviting Campbell to lunch have been retained by.

Melvyn Westlake discusses anxieties being caused by the US Trade Act

The subsidies threat to transatlantic trade

Almost unnoticed, the United States Congress has set a time bomb ticking under the edifice of American trade with the rest of the world.

Although activated by the American Trade Act, 1974, which came into effect in January after a difficult two-year passage through the legislature, the ticking has only just become audible in European capitals. However, there is no mistaking the mounting anxiety. Only a determined international effort will defuse the mechanism in time.

At the heart of the matter is a largely ignored provision of the 99-page Trade Act, 1974 covering industrial subsidies on foreign goods entering the United States market. Under this provision the American Secretary of the Treasury is obliged to slap on countervailing duties, according to a strict formula, whenever imported merchandise is held to benefit directly or indirectly from a "bounty or grant", either before or during export.

There is no definition of "bounty or grant". Thus, conceivably, a wide range of British exports to the United States could face higher import duties wherever they can be linked to British regional, investment or other government programmes, like the regional employment premium, industrial training, investment allowances, the Industry Act 1972 or even assistance to research and development.

Indeed, it must be presumed that any transfer of funds from central government to industry can be construed to constitute a "bounty or grant", whether it takes the form of a grant, a loan, a guarantee, a rebate, a rescuing British Leyland, financing a nationalised industry deficit or regenerating industry through the National Enterprise Board.

The volume of trade with the United States that could be prejudiced by this provision is

potentially huge. Earlier this week the European Commission alleged that more than a fifth of the Community's traditional exports to America, worth some \$4,300m a year, were threatened by the imposition of countervailing duties—that is, a duty equivalent to the degree of subsidy held to be given in the exporting country.

In its toughest statement yet on the subject, the European Commission referred bluntly to American protectionism. However, opinions on precisely how the subsidies rule should be applied are far from uniform. The United States seeking to protect its industries by an unjust and excessive resort to countervailing duties, or are the subsidies themselves the cause of the trouble?

Certainly, the list of European exports now being invaded by the subsidies rule is steadily longer, and includes steel, cars, cheese, tinned ham, glass and footwear. In this context, one of the most contentious issues is whether the remission of value added tax on exports constitutes a "bounty or grant".

Such questions are not new. The United States Tariff Act of 1897 (and amended in 1930) gave the counter- valuing duty provisions. However, what has changed is that the Treasury Secretary is losing all discretion in the matter. After a complaint has been filed, the Secretary must investigate any allegation of subsidised goods from abroad providing unfair competition.

If the merchandise in question is shown to benefit from a subsidy, the Secretary is obliged to take action after a further six months if the adverse effects of the subsidy have not then been removed. Before the Trade Act, 1974 investigations could last for six months and government officials could procrastinate indefinitely if they felt that it was expedient for the sake of good

commercial relations with America's trade partners. Indeed, the American National Milk Producers Federation successfully sought a court order against the Treasury because it failed for five years to act on a complaint.

This element of discretion disappears completely at the end of 1978, and the automatic operation of the countervailing duty provisions can be prevented only if an international agreement can be reached within the next 39 months that establishes rules and procedures to govern the use of subsidies and other export incentives.

If a code of this sort is not agreed then there is a grave risk of a transatlantic trade war. This is the time bomb. The recent increase in United States investigations into EEC exports has led some people to fear that the explosion will come well before the deadline.

The Americans now seem certain to raise the issue soon at the General Agreement on Tariffs and Trade, in the committee dealing with non-tariff barriers as part of the multi-national trade negotiations being conducted in Geneva. But the matter is also likely to get increasing attention on the trade committee of the Paris-based Organisation for Economic Cooperation and Development, which is thought to have discussed the subject this week.

It is against this background of increasing urgency that the Trade Policy Research Centre published yesterday the fruits of a permanent two-year study under the title *Trade Effects of Public Subsidies to Private Enterprise*, written by two economists. What it attempts to do is to establish a set of criteria for assessing the international acceptability of a subsidy. After all, as the authors note, one man's industrial subsidy is another man's unfair trade practice.

The broad conflict of interests which the authors pinpoint has

been growing for many years. On the one hand governments have been pursuing policies of full employment, regional development and industrial organisation in ways that promote their exports and import substitutes to the exports of trading partners. Yet, on the other hand, the same governments are committed through national membership of international institutions like the GATT to the reduction or abolition of tariffs and quotas and to the avoidance of policies which have similarly distorting effects.

Thus governments seem to be confronted with an awkward choice between modifying the objectives of domestic policy or modifying their commitment to free trade principles.

This dichotomy is likely to present one of the most difficult problems for negotiators at the current round of world trade talks in the Gatt where non-tariff trade barriers are likely to prove one of the key areas of bargaining. The Gatt has not hitherto been noticeably successful in controlling the really important non-tariff barriers.

Yet, their significance is bound to increase. Internally, within the EEC, the diversity of national industrial policies is likely to be increasingly questioned while common programmes will raise fresh problems with external trade partners. At the same time as the developing countries diversify into new areas of manufacture the pressures for the protection of competing industries within the developed countries is also likely to mount.

The authors of the Trade Policy Research Centre study suggest that the international acceptability of a subsidy might be decided by establishing what the real effect of the subsidy is on the costs of companies; how significant the effect of the subsidy is on imports and exports; whether

the aim of the subsidy is to promote structural changes that will make its continuance unnecessary and whether the subsidy is intended for other than trade distorting purposes. With this set of criteria, it would then be possible to consider dealing with those subsidies that:

(a) appear to have as their principal objective the curtailment of imports or the encouragement of exports;

(b) cause substantial reductions in the costs of producing products that are expected to compete with imports;

(c) or effect specific goods or services which enter into the costs of producing products that are exported or which compete with imports.

A rather lower priority might then be given to:

(d) general aid to regions, especially if these appear only to offer higher costs in those regions.

(e) subsidies given to all or most industries to promote certain aspects of efficiency, such as investment, research, development and training.

(f) and consumer subsidies that have only tenuous connections with international trade.

A constructive approach of this sort offers, perhaps, the only way to deal with what is generally acknowledged to be one of the most complex problems facing the Gatt negotiators. The deadline set by the United States Trade Act, 1974 could help concentrate minds greatly. If they fail the result could be explosive.

Trade Effects of Public Subsidies to Private Enterprise, by Geoffrey Denton, reader in Economics at the University of Reading; Seamus O'Claircain, Assistant Professor of Economics at the State University of New York; Sally Ash, of the Department of Economics, University of Reading, Macmillan, £15.

Further business book reviews will appear on page 24.

Why the Post Office is so excited by its plans for a TV screen information service

Kenneth Owen

Technology Correspondent

Post Office studies have shown that Viewdata charges may be about the same as for a local telephone call (about 1p a minute).

Local computers would be linked via regional centres to a national information centre to provide a nationwide service. Some of the information banks would be national; others would be local or specialised in content.

Since Viewdata is seen as an information medium rather than as an information service, the basic principle is that the system would be available to "information suppliers" to enable them to disseminate their product to the users. The suppliers would collect, collate and edit the information and supply it to the medium. The user would retrieve this information according to their needs.

This element of Viewdata—provided by existing organizations such as newspapers, publishers, motoring organizations, consumer organizations, local authorities and central govern-

ment departments—represents a familiar type of information, albeit provided through a new medium.

The other element of Viewdata is much more novel and is of potentially enormous impact in changing established habits of communication. This involves a more active use of the system by the domestic or business user, and could emerge in two ways.

First, as mentioned briefly, the Viewdata computers could store information which is intended to be passed on from one user to another (or in many cases to many users). Secondly, information may be inserted and stored in the system by a user for his own benefit. He has the ability, so to speak, to compile and use his own mini-database.

Mr Fedida comments: "It is not difficult to visualize the development at some later date of warehouses of information, similar to warehouses for physical goods. These warehouses will provide a storage service and possibly the required means for the user to retrieve the information. Viewdata, by virtue of its networking ability, would also provide a channel of access to these information stores". In other words, the user would be given the key to the warehouse.

Overall, the Post Office sees a very wide range indeed of Viewdata services in prospect. At one end of the scale are

general, topical information services such as news, sports results, financial news, entertainment information, timetables and "Yellow Pages".

At the other end of the scale are the "interactive" services including education, calculating and reservation transactions. Classified advertisements might also be extended by interaction to the requesting of sales literature and prices—and even to ordering.

In between these two extremes are a host of other possible services for business and domestic users. Message services, in particular, appear promising—offering a fast, economic, electronic equivalent to telegrams.

The new service would gradually eat into both telegram and postal services. A form of telephone service for the deaf could emerge. Telephone directories themselves could be held in the Viewdata files. As an added bonus, unwanted electronic direct-mail circulars could be disposed of simply by switching off.

The first reaction of the news and information organizations to the Viewdata concept has been enthusiastic.

As far as is known, the British Post Office is leading the world in this new communications technology and pilot trials will begin early next year.

EXTRACTS FROM THE INTERIM UNAUDITED CONSOLIDATED PROFIT STATEMENT FOR THE SIX MONTHS ENDED 30th JUNE 1975

"The results are a further emphasis of the strength of the broadly based nature of Ibstock Johnsen"

"The profit before tax for the six months to 30th June 1975 was almost 10% up on the corresponding period last year and 20% up on the second half, and the company has done better than expected at the time I wrote my statement for the 1974 accounts. The improved performance is largely due to our lively sales team who very quickly adapted the techniques to take advantage of the improved demand for brick in the housing sector. The UK Building Producers' turnover was £1m higher than the previous half year and there was also a useful improvement in turnover in Holland. The contribution from the Fibres Division, together with its associated company, though less than the second half of 1974, was still substantial."

| | 6 months 30 June 1975 | 6 months 30 June 1974 | 12 months 31 Dec. 1974 |
|-----------------------------------|--------------------------|--------------------------|---------------------------|
| Turnover | £7,178,175 | £5,624,174 | £11,681,128 |
| Profit before taxation | £1,160,565 | £1,056,970 | £2,020,403 |
| Taxation | £ 569,571 | £ 547,592 | £ 1,039,246 |
| Profit after taxation | £ 590,994 | £ 509,378 | £ 981,157 |
| Minority interests | — | £ 25,937 | £ 24,529 |
| Profit available for distribution | £ 590,994 | £ 483,441 | £ 956,628 |
| Earnings per share | 7.94p | 6.57p | 12.98p |

It is worth pointing out that despite the severely cyclical nature of the building products industry which has affected so many of our competitors, Ibstock Johnsen has managed to increase profits substantially in favourable conditions and prevent any noticeable decrease in recession. The inherent strength of the company will be further demonstrated in the second half of this year when I expect that the profit will not be less than that currently reported.

Your Board's intention is to increase the total dividends by the 10% allowed by the Government."

Paul Hyde-Thomson
Chairman

**IBSTOCK
JOHNSON
LTD**

Business Diary: BAC's new pilot • Campbell's heirloom

ge of chairmanship at ish Aircraft Corporation ed yesterday means the retirement of Sir Edwards, who has been the aviation scene in the last longer than in the that particular hat. Allen Greenwood, his

George, an engineer by first entered the as built up a persona omies under the heading such loved"—French t atrocious accent on e occasions, port-pi- ular performances at despite his 63 years, iloting of the company's a Beagle aircraft.

would, 58, is a less figure—completely un- ant, in fact. A bachelor, ardent exponent of a European aircraft and is closely involved mber of Anglo-French- erman-Italian projects. eorge has been an out- ument of government n nationalize British. e, calling them "irre- recently. But the fact- ing day is due next only partly to do with- cement, which is mainly u age.

is, in fact, offered those e involved in the re- of the industry much advice over the past nths, evening day to close, th BAC and Hawker soon to be rolled up national aerospace co- t. Greenwood's tenure e in the top job could

be short—unless the Govern- ment picks him to head the aerospace corporation itself.

Head-hunters

Whatever happened to nepotism? It is mildly depressing to learn that the CBI has appointed a firm of headhunters, Spencer Stuart and Associates, to help in the search for a successor to Campbell Adamson as director general. But the cynical will say—and they are probably right—that the name to emerge at the end of the day will be the one which the ruling cabal at Tothill Street would have chosen anyway, head-hunters or not.

Between now and the end of the year (the CBI hopes to make an appointment early in 1976) the press will spend their time floating kites and printing demands and several industrial barons and permanent secretaries can be expected to do a double take every time their colleagues get luncheon invitations to the Athenaeum or other clubs beloved of the CBI hierarchy. Just to start the ball rolling we put forward a few names of our own for Spencer Stuart to look at, along with some pros and cons: Christopher Chataway, banker, former Minister for Industrial Development thought to know how to deal with ministers and civil servants, but short on experience in the real world of industry; Alex Barratt, head of Reed International, former Whitehall irregular, leading committee man at CBI (experience in all the right places, but probably savours the power—and money—that goes with his present job



too much to give it all up for the less obvious delights of Tui-hill, Surrey). Peter Carey, second Permanent Secretary, Department of Industry, Whitehall's premier industrial civil servant (knows his industry and political onions better than anyone else in the Civil Service, but far too polite and discreet to be the bosses' spokesman); Adrian Cadbury, chairman of Cadbury Schweppes, director of the Bank of England (right age—not yet 50—highly respected by present CBI leadership, extensive industrial experience, close associate of Lord Watkinson, the next CBI president, but seems too urbane and insufficiently ruthless).

Other suggestions to Spencer Stuart please, not Business Diary.

machines in offices and mailing houses about the country are showing the new scales correlated with the Post Office's new charges, also in Monday.

Some big mail users are crying out against the new rates of "chaos". Others mutter about a plot by the weighing machine makers in not making enough new face discs for existing machines available in time.

The thought there, of course, is that many people might be driven into buying a new, metrically calibrated, machine at anything from £8.50 to £22.50. Discs on stock over the old machine faces—getting that done usually involves a qualified engineer—run from £1 to £5 each.

Any Dowling, commercial manager of C. Stevens and Son, the London weighing machine dealers who are national agents for George Salter, a leading manufacturer, took time from his busy schedule since decentralization to rebut accusations of a plot. "The fact is that we haven't got new machines either. And it will be the discs we shall be getting in, rather than machines, to replenish stocks in the next few days."

Although the metrication date has been known for months everybody producing the new disc faces had been awaiting a decision on the new Post Office rates. That coming only a few weeks ago there was a production problem for disc printers and for makers like Salter and its main competitors W. and T. Avery.

Weighing in

A weekend away from the Post Office's new metrication has left only about a tenth of the half-million or more postal weighing

BUSINESS BOOKS

ICI: a struggle to control the world

Imperial Chemical Industries: A History. Volume Two: The first quarter-century 1925-1952
by W. J. Reader
(18.50)

The second volume of W. J. Reader's official history of ICI covers a period of great importance to British industry. It is the period of the Imperial Illusion, although that was less an illusion, it was a period when Britain was still an empire, and the world that had overtaken her.

Standing in the chaotic ruins of our industry, it is hard not to wonder where all started to go wrong. Quite apart from its intrinsic interest, the value of Mr Reader's book is in the clues it provides, albeit indirectly.

The formation and growth of ICI was a brilliant counterpoint to the long, grinding decline and decline of Britain's great industries—textiles, shipbuilding, coal and steel. Of course it was not recognized as such at the time—normal conditions—were always around the corner.

But we can see now that industry was not helplessly in the grip of some peculiarly harsh and immutable law. ICI's early success showed that it was possible for determined individuals to master events. The helplessness of British industry was largely the lack of will and vision in the people who ran it.

The determined individuals in ICI's case were Alfred Mond and Harry McGowan. As the previous volume of the history shows, they came very differ-

ently from the two most powerful of ICI's predecessor companies: Brunner, Mond and Nobel Industries.

Their ambitions were, quite explicitly, imperial. (It took quite a lot of political arm-twisting at such a vaunting name past the Board of Trade.) The British chemical industry was fragmented, undernourished and in sort of competition for the international companies of the United States and Germany. They intended to assemble a group which had power enough to bargain as equals—and then to carve up the world.

It was a modest enough ambition for the time. Only in the United States—and then only for domestic purposes—were there any serious attempts at the internationally rational desire of industrialists to combine and eliminate wasteful competition. Cartels proliferated, covering a wide range of goods in international trade: light bulbs, rubber, fertilizers, magnesium, dyestuffs, sugar and alkalis among them.

Much of the book's fascination lies in the description of the deals, manipulations and Schuenevel that characterized this vanishing world.

The cartels broke down. They always have, since they create conditions in which it is irresistibly attractive for individual members to abuse them. (The one, but dwindling, source of comfort to Opec-watchers.)

The breakdown came over a time with a combination of oversupply in some commodities, then the Second World War and finally the American anti-trust laws—which led to the curious spectacle of Depart-

ment of Justice officials rifling ICI's files in London. It left a powerful residue in the minds of ICI's managers. The author of this review was told by a government official how he had tried to get supplies of dyes during the war for Iran's carpet industry.

Delays were tracked to Dye-stuffs Group in ICI, where it was explained that Iran was part of L. G. Farber's sphere of influence; they would have to live with IG after the war. . . . Later, ICI's inexplicable reluctance to go into Continental markets may have had more of the same rationale—though doubtless less explicit.

The story is far from one of unalloyed success. Indeed, this history is unusual in that all the more valuable, being, far from a bland celebration of virtue, quite as concerned to document ICI's failures.

These are the other side of the coin of ICI's successful manipulation of the markets. For when the markets were secured from competition, there was no need to develop manage-

ment skills that would be required in more testing conditions. Financial skills were minimal in a company where, it was said, any promising project could be funded. Marketing skills were non-existent.

There is no question that ICI's management grew fat and complacent in such a protected environment. (Protected from competition for their jobs too, for senior management was appointed only from inside.) Even so the company had notable successes which demonstrated some crucial management excellence, most technical.

The story is dominated by the figure of Harry McGowan, as the company had been. A powerful man, immoderate, physically overbearing, his was the necessary power that lay behind ICI's formation.

After Alfred Mond's death, he assumed absolute power within the company, which he ran as his personal fief. He was vital to the company's formation, but he long outlived his usefulness and by the time he was finally eased out, in 1950 at the age of 76, he was famous

for nothing more than his rages and his drunkenness.

The book—which is admirably clear throughout—ends with some speculation about the costs of ICI's great size, always a lively topic for discussion. Is it too big? Is it, perhaps, inherently unmanageable? Certainly the power reasons that brought it into being no longer exist. The trading links between some of the divisions provide no sort of industrial logic that could not be encompassed in more arms length trading arrangements.

As always, the financial logic is real; ICI's expansion into its most important fields was funded with Nobel money.

But the human relations and management costs are constantly growing. It may be that the time will come when the company will have to break up into more manageable pieces. Then the wheel will have come full circle from Mond and McGowan's grand imperial design, and one more appropriate to an anti-imperial world.

Joe Roebor

Tracing shifts of power in the international oil industry

The Seven Sisters

by Anthony Sampson

(Hodder and Stoughton £4.95)

In January, 1953, the Attorney-General of the United States, James McGranery, produced a report for the National Security Council, which included phrases like: "It is imperative that petroleum resources be freed from monopoly control by the few and restored to free competitive private enterprise."

The world petroleum cartel is an authoritarian, dominating power over a great, vital world industry. . . . a decision as to the time to terminate the pending investigation (into the operations of American members of the cartel) would be regarded by the world as a confession that our abhorrence of monopoly and restrictive cartel activities does not extend to the world's most important single industry.

At the same time the State Department, reflecting the views of its Secretary, Dean Acheson, produced a paper which argued that these international oil companies "play a vital role in supplying one of the free world's most essential commodities. . . . American oil operations are, for all practical purposes, instruments of our foreign policy."

It is a matter of history that the views of Mr Acheson substantially prevailed over the next 20 years in the United States. In other industrial countries there has been even less doubt of an identity of commercial and political interest between an international oil company and its government.

These differing prejudices about the operations of the international oil companies set

the parameters within which the whole of the political and economic debate about the international oil industry has taken place. It is this story which Anthony Sampson traces in this book. With the emphasis on the position of the Seven Sisters (the five American oil "majors", plus BP and Royal Dutch-Shell) it traces the change in the shifts of power in the international oil industry over the past half century and more.

Much of the ground covered is familiar, though Sampson brings to it his customary sharpness of observation and insight. It is, however, raised to the level of essential reading for those interested in the politics of oil by the fact that it is the first book that has been able to make use of the evidence compiled by the subcommittee of the Senate Foreign Relations Committee, which under the chairmanship of Senator Church has been looking at the relations between American multinational companies and United States foreign policy.

The interesting new ground is that in which the major oil companies have adjusted in the past three years to an entirely new role. For decades the "majors" have been the buffer between the producers and the consumers and have had the support of their own governments because by and large they have been an identity of interest in the provision of secure supplies of oil at least relatively cheap oil.

The American and British governments have been content to see their oil companies arrange contracts and share the bulk of the profit was taken, the production stage of the integrated oil process and not in refining or retailing.

Further, for political reasons, first the Americans and then the British were prepared to allow

their companies to count royalty payments against domestic taxation, though this meant that major oil companies have paid little or no direct corporation tax in their home countries for decades.

As emerged in the Church subcommittee evidence, from 1950 onwards the State Department was in favour of such a politically convenient way of giving aid to, say, Saudi Arabia through the operations of Aramco without having to obtain the approval of the Congress. And other governments followed suit.

But 1973 was a watershed in every sense. Faced with a coherent producers' cartel for the first time, the oil companies found themselves caught in a conflict of interest with their parent governments. On direct orders from the Saudis, for example, Aramco was required to administer the embargo against its own government and withhold crude oil supplies from the United States. Such a move, at a more general level, the whole integrated machinery of the oil companies became the agent by which unilaterally imposed price increases were passed smoothly on to the industrial consumer. It was a period when the major oil companies were shown to be in a position to force their own domestic control, this changed role and the new tension between the industry and the governments of the industrial world. In place of the oil producing countries, may rapidly become more apparent.

Hugh Stephenson

FINANCIAL NEWS AND MARKET REPORTS

Stock markets

Shares turn back after early rally

The satisfaction in the stock market at the moderation of the Government's employment figures was replaced by dismay as the City heard disturbing reports from the OPEC meeting in Vienna. The reports suggested that some oil producing countries were calling for a rise of 15 per cent in oil prices. The City had braced itself for a 10 per cent increase but reacted nervously to last night's rumours.

Share prices, which had been moving up in good trade during the morning, quickly fell back towards the end of the session. Dealers said that selling pressure was not heavy but that buyers had withdrawn from the market until the news from OPEC became more certain.

The FT index closed a net 0.5 off at 257, after reaching 262 at midday.

Gifts were again rather quiet. "Shorts" eased slightly, with losses on the day of 16 or 32 points. Dealers were unable to pinpoint any special adverse influences, but referred to the new Treasury 3 per cent 1978 issue as possibly attracting money away from neighbouring stocks. Rumours about a large oil price rise also circulated.

"Longs" were firmer. They opened well, helped by a strong rise in sterling. At one stage prices were 1 point higher, but they drifted down during the day and were generally 1 point up at the close.

The general in share prices applied to most of the market leaders. ICI ran back from 249

a volume of £59.7m in equities, against £59m on Tuesday, and on Friday of the previous week. Company statements continued to provide activity. Late dealings brought a heavy fall in shares in Oxo (127p) after news of poor interim figures.

Another major disappointment for the market came from Delta Metal, whose shares fell to 53p in response to a dramatic slump in first half profits. Hall Engineering was another to slip on trading news.

Leading engineering shares were slow to join in the late downturn in the market and retained their earlier gains. But a question mark must hang over this morning's opening. Tube Investments were 2p up at 262p after 264p. GKN closed unchanged at 22p and Vickers at 13p, but only 1p.

Consumer stocks began to slip back as the market turned off. Marks & Spencer ended 2p off at 111p while British Home Stores, unchanged at 349p had reached 350p. Press comment helped Woolworth, at 39p while Owen Owen, the Liverpool store approved to 60p on good first half profits.

Shares in F. Shepherd, slipped back to 50p on news that Jopling does not intend to make a full bid. Features elsewhere in the market included G. Wimpey, firmer after interim results, and British Car Auctions, R. Perry and B. Matthews, all helped by trading news.

Equity turnover on Wednesday was worth £59.7m (14.13m bar gains). Active stocks yesterday, according to Exchange Telegraph were ICI, Shell, Barclays Bank, Standard & Chartered, Baring, British Leyland, Decca, Transocean, Rank, A. Marks & Spencer, Bats and Bass, Char-

On the banking patch, the leaders followed the market trend by shedding their early gains.

Profit figures from Kleinwort Benson were a disappointment. Shares in Hall-Thermomax reacted to close 12p off at 70p after the company had firmly denied any bid offer. But the statement added that the company had been made regarding the P & O stake (about one third of the equity).

and brought the shares back from 115p to 112p.

Insurance issues ended with gains of a couple of pence. Property held firm, although as Equities were Amalgamated Investment & REPC.

There was further support for oil shares, although prices topped off as reports came from the OPEC meeting. BP, finally up at 365p had seen 370p.

Gold shares had an erratic day's trading. Early gains of 50p or so were whittled away as profits were taken. Then prices rallied.

Equity turnover on Wednesday was worth £59.7m (14.13m bar gains). Active stocks yesterday, according to Exchange Telegraph were ICI, Shell, Barclays Bank, Standard & Chartered, Baring, British Leyland, Decca, Transocean, Rank, A. Marks & Spencer, Bats and Bass, Char-

Latest dividends

| Company (and par value) | Ord Div | Year ago | Pay date | Year's total | Pre-1975 year |
|-----------------------------|---------|----------|----------|--------------|---------------|
| Anglo American S.A. Ltd | 8p | 7.5p | 31/10 | 29p | 29p |
| A.P.V. Holdings Ltd | 2.25 | 2.25 | 31/10 | 2.25 | 2.25 |
| Associated Bank (20p) Int | 0.88 | 0.88 | 3/11 | 3.0 | 3.0 |
| Brit Car Auction (10p) Int | 2.31 | 2.31 | — | 2.31 | 2.31 |
| Delta Metal (25p) Int | 1.82 | 1.82 | — | 4.03 | 4.03 |
| Finlay Mackenzie (25p) Int | 0.45 | 0.45 | 7/11 | 8.0 | 8.0 |
| Gen & Comm (25p) Int | 1.2 | 1.2 | 31/10 | 5.48 | 5.48 |
| Hall Eng (50p) Int | 2.68 | 2.7 | 31/10 | 7.43 | 7.43 |
| Horizon Midlands (5p) Int | 0.74 | 0.74 | 14/11 | 4.13 | 4.13 |
| Imperial Chemical (25p) Int | 2.81 | 2.81 | 15/11 | 4.13 | 4.13 |
| John Lewis (25p) Int | 1.43 | 1.43 | 6/12 | 1.43 | 1.43 |
| Metal Closures (25p) Int | 1.4 | 1.4 | — | 2.17 | 2.17 |
| Owen Owen (25p) Int | 0.87 | 0.87 | — | 2.17 | 2.17 |
| Oxo (25p) Int | 2.17 | 2.17 | 6/1 | 4.39 | 4.39 |
| Pearson Loan (25p) Int | 0.8 | 0.8 | 31/10 | 1.8 | 1.8 |
| Ransomes, Sims (11p) Int | 2.3 | 2.3 | 21/11 | 6.21 | 6.21 |
| Rank (10p) Int | 0.42 | 0.42 | 6/1 | 5.72 | 5.72 |
| TCK (25p) Int | 2.6 | 2.6 | 6/11 | 5.19 | 5.19 |
| Telegraph & Gen (10p) Int | 1.9 | 1.9 | 31/10 | 6.5 | 6.5 |
| Telephone & Gen (25p) Int | 1.3 | 1.3 | 30/10 | 4.3 | 4.3 |
| Triplemint Ltd | 1.89 | 1.89 | 31/10 | 3.71 | 3.71 |
| Whitaker (25p) Int | 0.67 | 0.67 | 2/10 | 2.03 | 2.03 |
| Gen (25p) Int | 0.71 | 0.71 | — | 2.03 | 2.03 |

Dividends in this table are shown net of tax on profit per share. Where in Business News dividends are shown on a gross basis. To establish gross, multiply the net dividend by 1.54. *Forecast. †Cents a share.

APV looks set to top last year's record

By Peter Elliott

After six months of this year to December, APV Holdings, the Sussex-based process engineers, has set a new record for its second half. In the half year ending June 30, pre-tax profits soared from £2.96m to £4.29m, and turnover rose from £34.5m to £46.0m.

In his interim report, Mr Peter Sellman, chairman, says he expects the full year to show a "significant advance" over last year's £6.54m total although second half profits are likely to be down on the first half. Last year's second half produced pre-tax profits of £3.58m and turnover of £45m. Much of the credit for the first half advance is due to the backlog of orders

from last year which arose from a shortage of personnel and new in monetary terms, orders have been maintained at last year's level, but this represents a contraction in real terms—thanks to higher group selling prices. Market conditions for capital equipment in the United Kingdom and other countries are growing rougher.

Apart from the United Kingdom, the group trades in a number of areas including Europe, North and South America, Australasia, Asia and Africa.

Earnings a share in the first six months of the current year rose from 12.34p to 17.53p and the interim dividend rises from 4.55p to 4.89p.

Last year overseas profits rose by 25 per cent and accounted for 60 per cent of the total.

Belgian bid for Atlas worth £3.7m

A £3.7m takeover bid was launched yesterday for Atlas Stone by the privately owned Belgian group Compagnie Financière Eternit. It describes itself as one of the world's largest asbestos cement manufacturers.

The offer is 95p a share in cash and yesterday the shares moved from 60p to close at 95p after the announcement. Mr R. A. Bamforth, a director of Atlas, said last night the company "strongly recommended" shareholders to take no action.

The offer is being made direct to shareholders without consulting the Atlas board. But it does in fact follow a move to take over 18 months ago about a merger. At that time Eternit was talking in terms of 125p a share, but since then the company's share price has risen to 95p, which is also in the asbestos cement industry, have fallen back. The outlook is now not as hopeful as it was then.

Mr Paul Smith, managing director of Eternit's United Kingdom subsidiary, G. R. Spenser, said yesterday that Eternit still did not understand why Atlas had rejected the advances made 18 months ago.

However, Eternit had decided to renew its attempt at the takeover because the commercial logic remained. Eternit manufactures asbestos cement products used for roofing slates and decorative building components while Atlas manufactures the type of product used as roofing and wall material for garages, industrial and agricultural buildings.

If the takeover succeeds, Atlas will be merged with Eternit, which has the production of both companies complementary rather than competitive.

Metal Closures 19pc down with no upturn forecast

By Tony May

Pre-tax profits of Metal Closures Group fell 19 per cent to £1.89m in the six months to June 30, though turnover rose 19pc to £18.7m. Gross dividend goes up from 2.08p to 2.15p, but even so the shares closed 4p down at 68p.

The profit decline follows the slow growth rate in the second half of last year. It underlines the board's warning at the annual meeting in June that demand in the United Kingdom was below capacity.

Mr John Boden, chairman of the group, said that metal and plastic products for the packaging industry, now says that demand remained low throughout the first half, in line with the general recession in

industry. Until the United Kingdom recovers and its inflation is curbed no improvement can be forecast.

The board is taking the opportunity to rationalise and reorganise its business and is seeking to make the group more competitive in world markets.

Overseas operations continue to be an important part of business and have done something to cushion the setback at home.

For last year as a whole group profits rose 23.6 per cent to a record £4.93m on a peak turnover of £36.5m. The growth rate in the first half was 42 per cent, but in the second half this slowed down to only 10 per cent.

Ibstock Johnsen advances 10pc in first half

Reflecting a better demand for bricks in housing, the pre-tax profits of Ibstock Johnsen, a building products manufacturer and wood pulp agent, rose nearly a tenth to £1.16m in the half year to June 30. Turnover rose from £7.7m to £7.7m and the board has set the interim dividend at 3.08p against 2.70p.

Mr Paul Hyde-Thomson, chairman, expects second half profits at least to match those of the first half, but he is not sure whether the present upturn in United Kingdom housing starts will continue.

He added that liquidity has been under close scrutiny. Now that the group's heavy capital expenditure is ending cash resources will strengthen. In July, the group sold a non-trading subsidiary with land near St Helens for £500,000.

Meanwhile, United Kingdom paper mills are still operating at uneconomic levels. Pulp shipments have fallen, and unless these recover profits from the fibres division will be down on the first half.

Mr IBA HINES build electrolytic zinc refinery at Townsville, Queensland, deferred due to high costs and uncertain economic outlook in Australia and abroad.

F. H. TOMKINS LIMITED

Profit Exceeds £1m in a Year of Extremes

| | 1974/75 | 1973/74 |
|---|-----------|-----------|
| Turnover | 8,805,614 | 8,155,797 |
| Profit before tax | 1,115,879 | 947,010 |
| Net profit after tax and minority interests | 514,822 | 444,080 |
| Earnings per 5p share | 2.548p | 2.197p |
| Dividend (Net) | 14.34% | 13.45% |

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John Franks

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